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West Europe Report

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24 May 1985

WEST EUROPE REPORT

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POLITICAL

EUROPEAN AFFAIRS

EAST, WEST SCHOLARS AUTHOR WORK ON ROLE OF EUROPEAN NEUTRALS

Helsinki HELSINGIN SANOMAT in Finnish 25 Apr 85 p 23

[Article by Raimo Vayrynen, professor of international politics at Helsinki University: "Shield of Neutrality Becoming Brighter"]

[Text] Books: Hanspeter Neuhold & Hans Thalberg (Editors), "The European Neutrals in International Affairs. The Laxenburg Papers No. 7." Osterreichisches Institut fur internationale Politik, Vienna, 1985.

In general, the policy of neutrality is examined only from the point of view of those countries adhering to such a policy: how the world appears from the capital city of each neutral country and how one's own interests in the world can be protected. Thus the viewpoint is a national one -- necessary but also very limited.

By resorting solely to this, one forgets that neutrality is also a characteristic of the international system. It is a counterweight to bloc politics: neutral countries separate opposing alliances from each other geographically as well as politically. In addition, they function as a model for countries belonging to military alliances. They can be considered as examples of warning from one point of view and as an alternative for small member countries tired of the nuclear arms burden imposed by military alliances from another point of view.

Whether they want to or not, neutral countries thus offer an enticing comparative reference group for states which have chosen the path of political alliance.

Picture of Neutrality Changing

These two methods of approaching the issue are clearly reflected in that material which has been compiled on the basis of a European seminar held in Laxenburg Palace, Austria, in October 1983.

In the presentations by Pierre du Bois and Nils Andren on Switzerland's and Sweden's policy of neutrality respectively, the national point of view is primarily emphasized. du Bois, in particular, concentrates on those good diplomatic services which Switzerland has performed for warring factions throughout

its history. It is noteworthy that with few exceptions these good services originate from the era preceding World War II.

It is apparent that the emphasis of neutrality is moving away from the mediation work performed by individual governments. It has been replaced by the collective cooperation of neutral and nonaligned countries.

Numerous authors refer to the so-called N+N-group, which came about during the Geneva phase of the CSCE. It continues to be of perceptible importance in the development of European security and cooperation, which became apparent the last time at the follow-up meeting of the CSCE in Madrid and more recently at the European Disarmament Conference presently underway in Stockholm.

Apparently, collective cooperation like the N+N-group has replaced that bridge-building task which individual neutral countries attempted to accomplish in Europe at the end of the 1960s. By working in cooperation neutral and non-aligned countries, whose interests and views are not always identical, can combine mainly Western premises with initiatives important to the socialist countries.

The Geopolitics of Neutrality

Thus neutral countries make up a kind of intermediate group in overall European cooperation. They have a functional task of joining and combining. In addition to this, they also have a geographical task of separating.

The Austrian authors of the publication, Karl Zemanek and Hans Thalber -- the director of the Austrian Institute of International Relations -- place special emphasis on the separating task. Austria's neutrality has stabilized the situation in Central Europe for the reason that there are no troops or weapons systems of the military alliances on its territory. Austria, Yugoslavia, and Switzerland form an area insulated from the conflicts of the super powers.

Thalberg writes that Finland and Sweden form a corresponding neutral zone in Northern Europe. This alleviates instability between the super powers and military competition in the area and is according to him a prerequisite for the fact that Norway and Denmark have not accepted nuclear weapons on their territories.

The super powers see the functions of neutrality in apparently different ways in Europe.

Tension and Detente

Soviet researcher Viktor A. Kremenjuk's evaluation of neutrality is, on the whole, positive. He criticizes the foreign policy of the Reagan Administration and considers that the NATO countries have abandoned the proposal of positive political initiatives. Since according to Kremenjuk "European interests do not, however, permit a vacuum with respect to political initiatives", the neutral countries which increased their prestige during the period of detente should become more energetic in assuming the initiative. According to him,

neutrality is the most visible sign of the fact that the concept of eliminating military alliances is not impossible.

From the Western point of view neutrality frequently approaches defection. There has been disapproval in NATO circles with respect to the fact that some of the Western countries do not want to belong to a military organization essential from the point of view of Western unity.

F. A. M. Alting von Geusau of Holland considers that Europe's present neutral countries are mere novices along side the historical neutral experience of the Benelux countries. In a somewhat contradictory manner he decides to complain about the appeal of the model they offer in current NATO countries. In Von Geusau's opinion this regrettable development results, on the one hand, from positive role of the N+N-group in the CSCE and, on the other hand, from the desire created by NATO's nuclear arms strategy to seek security policy alternatives.

The fact that the functional opportunities of neutral countries are increasing and the appeal of the political model offered by them is growing seems to connected to depolarization and detente in super power relations.

If the neutral states are no longer merely intermediate zones increasing stability or bridge-builders offering political crossings, but are an alternative to political alliances, they will become a problem from the point of view of the super powers. The need may arise to take the shine off the shield of neutrality.

Over the years the Soviet Union has criticized Yugoslav's nonaligned path to its smaller allies. As Harto Hakovirta points out in his own article, the Finlandization campaign in the early 1970s served much broader intentions than an attack on Finnish foreign policy in a corresponding manner. Its real purpose was to prevent the disintegration of the Western political and military bloc as a result of the enticements of the era of detente.

10576

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POLITICAL

FINLAND

MAJORITY COMMUNISTS PURGED FROM TURKU DISTRICT LEADERSHIP

Helsinki HELSINGIN SANOMAT in Finnish 21 Apr 85 p 10

[Article: "Majority Communists Purged from Leadership Positions in CP's Turku District"]

[Text] Turku--Even the last supporters of the Communist Party's present leadership were kicked out of the new district committee of the Taistoite [Stalinist] controlled Turku District Organization of the SKP [Finnish Communist Party] at the annual meeting on Saturday. The SKP's Turku District also demanded that "the SKP's right-wing leadership resign in the name of the interests of the party".

Those supporting the party's leadership have until now had five representatives in the 30-member Turku District Committee. The majority members, who have now established their own district organization, were finally dropped from the Taistoite district party organs.

Otherwise the district's annual meeting stayed strictly within its agenda. It demanded that "we must fight fire with fire and not give in to those who would divide the party".

District Secretary Toivo Forss deliberated as a practical person how the district would get MP's to use their electoral college connections in the next parliamentary elections if the district is suspended from the party.

According to the assessment of the Turku District, they now have a full 2,000 members. On the other hand, it is estimated that there are approximately 800 members in the new SKP Varsinais-Suomi [Finland Proper] District established along the lines of the party leadership.

In spite of the speeches raising morale, it is conceded in the Turku District Organization that many members have remained outside of both district organizations in the ensuing split and have completely ceased paying membership dues.

The Turku District Organization reelected MP Ensio Laine as its chairman.

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POLITICAL

FINLAND

KOIVISTO REJECTS UNFAVORABLE COMPARISON WITH KEKKONEN

Helsinki HELSINGIN SANOMAT in Finnish 21 Apr 85 p 10

[Article: "Koivisto on Cautiousness: Even Kekkonen Did Not Always Take Initiatives"]

[Text] In an interview published on Saturday in Social Democratic newspapers President Mauno Koivisto rejected suggestions that President Urho Kekkonen was considerably more enterprising in foreign policy than Koivisto.

Koivisto was asked his opinion on speeches according to which Finland has returned to the more cautious era of Paasikivi in foreign policy. Koivisto answered that foreign policy has continued on a rather traditional course. "In the spring of last year I said that to some degree I was moving in the direction of Paasikivi."

"Frequently the public perception is that Urho Kekkonen was constantly taking various kinds of initiatives. This is not true. Since he was president for such a long time, there was time for an accumulation of many kinds of initiatives," stated Koivisto.

"Generally, important issues become a reality and if they are accomplished, it is after many efforts requiring a considerable amount of time. There is much to be accomplished in order to bring to a successful result those goals which we have set for ourselves and for which the path has been pointed out by my predecessor," said the president in the interview.

He also noted how difficult it is from his point of view when it is being said that we are now living in a completely new time. There has sometimes even been talk of a completely new republic, in which a freer spirit prevails. "In this way I am easily made the antithesis of my predecessor. I do not like this at all."

The interview was held last Tuesday when the chief editors of Social Democratic newspapers met in the Presidential Palace to discuss issues with the president. In the interview Koivisto was also asked about his position on a Nordic nuclear-free zone as well as Finnish and South African relations, among other things.

The concept of a Nordic nuclear-free zone has according to Koivisto received a very different response in recent years in the other Nordic countries than previously and the debate on this project has been quite satisfactory from Finland's point of view.

"Sometimes one catches hints in public that Finland and Sweden should unilaterally declare themselves as a nuclear-free zone. However, we have considered that as long as there are real opportunities to accomplish a broader arrangement reinforced by agreements, we should strive toward this."

In answer to the question on Finland's South African policy, Koivisto said that Finland's policy has, in general, traditionally been more cautious than that of the other Nordic countries. Also Sweden's stands on questions of international policy have, to some degree, become more cautious in comparison to what they were, he noted.

Koivisto emphasized that continued consistency is required from Finland in the international arena. "Naturally, the requirement for consistency has its own limitations and it is not possible to think that we can go on into the future by only making certain that the wake left behind us is straight. But consistency is an important issue in policies if we want our positions to have an effect. We need credibility so that we can accomplish those results to which we are aspiring in international relations."

As far as certain recent domestic stands on South Africa are concerned, Koivisto thought that they clearly contain a certain timely tactical coloring. He believes that we will be faced with some very difficult questions with respect to South Africa.

"If we adopt a stand of moral condemnation on one issue, we will soon be asked why we have not adopted a similar stand on another issue," said Koivisto in explaining the need for consistency.

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POLITICAL

FINLAND

CONSERVATIVE MP DELIVERS RARE ATTACK ON KOIVISTO POLICIES

Helsinki UUSI SUOMI in Finnish 17 Apr 85 p 7

[Article: "Tuure Junnila Now on Koivisto's Case"]

An exceptionally heated debate on foreign policy questions, in which even President Mauno Koivisto was not spared, was conducted in the Consensus-Finland parliament.

Even though the most important theme of the debate was the race policy practised by the South African Government, for the first time comments were made from parliament's rostrum about Mauno Koivisto's foreign policy statements.

The debate was opened by Tuure Junnila, the strongest representative of the Conservative Party's right wing, who was previously known as a tough opponent of Kekkonen.

According to Junnila, "the familiar ghost of self-censorship from past years is once again beginning to haunt the country" along with recent statements by Koivisto.

Junnila saw such apparitions when President Koivisto "warned against such sports as hurling insults at the Soviet Union".

In Junnila's opinion the president is "afraid of a revival of a foreign policy debate" and is now in the process of "herding stray calves back into the barn".

Junnila was corrected by SDP Secretary Erkki Liikanen, who said that it is not a question of any kind of censorship but that in this matter it is only a question of "certain good conduct".

Esko-Juhani Tennila (Communist), for his part, saw a ghost from the 1930s in Junnila. According to him, "one must become involved in the nonsense about ghosts so that one would not receive the impression that their views would correspond to all our views".

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POLITICAL

FINLAND

CP YOUTH GROUP MODERATES OVERWHELM MOSCOW-ORIENTED WING

Helsinki HELSINGIN SANOMAT in Finnish 9 Apr 85 p 15

[Text] Third-liners left without a leg to stand on in the SDNL [Finnish Democratic Youth League].

Jyvaskyla (HS)—The Communist majority faction seized complete control at the SDNL congress in Jyvaskyla this Easter. The third-liners were also completely purged from the league leadership.

For the next 3 years moderate Rauno Merisaari of Turku will head the Communist youth organization. The Central Committee elected him by a vote of 29 to 8. However, moderate Heikki Suortti of Vaasa was unanimously appointed to the post of first secretary. Moderates Arja Vainionpera of Tampere and Teijo Smatrask of Vaasa and Stalinist candidate Markku Kangaspuro of Joensuu became vice chairmen without salary. For the first time in the history of the league, one of the vice chairmen, Stalinist Kangaspuro, was, however, not elected to the league's Labor Committee.

Hard Line Joins Ranks of Moderate Wing

A brutal struggle among the factions resulted in the fact that nearly all the other issues but the political ones were voted on. When the 3-day congress began on Friday, voting was begun on whether, among other things, the Election Committee, which deals with the composition of the Central Committee, is to be elected directly or whether they will try to continue negotiations on its composition. The direct election promoted by the moderates won out by a vote of 303 to 201.

Alignments became even more strained as the congress wore on. When the balance of power was weighed, the unity line of the Stalinists and hard-liners failed and the hard-liners slipped into the ranks of the moderate wing.

Then by a vote of 12 to 8 the Election Committee elected a Central Committee in which the balance of power was divided 30 to 9 in favor of the moderates. The intermediate factions, the so-called third-liners, were completely purged from the Central Committee.

Altogether 556 official delegates participated in the league congress. The brutal power play that was involved is demonstrated by the fact that five-sixths of the league congress delegates felt that they represented paper cells, cells that do not operate at all.

The issue created bitterness among the congress delegates, as did also the Stalinists' loud criticism of the moderates.

The congress just did not engage in political debate. The political action program was unanimously endorsed. In their resolutions they stressed, among other things, the 35+35+35 campaign, which means the attainment of an hourly wage of 35 markkas, a working life of 35 years for the individual and a 35-hour work week.

The congress assumed a critical attitude toward "Youth Year," the goals of which, in its opinion, have not really even been striven for in Finland.

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POLITICAL

FINLAND

MINISTRY OF FOREIGN AFFAIRS WARNS AGAINST 'SOLO' ACTS IN

He's... SANOMAT in Finnish 10 Apr 85 p 13

The Minister of Foreign Affairs Juhani Suomi, an official who advises the government, warned citizens about the dangers of individual acts in politics. He pointed out the fact that some people have recently been trying to draw a line between the foreign policy pursued by the nation's leaders, on the one hand, and the views presented by citizens and politicians, on the other. In Juhani Suomi's opinion, making such a distinction is harmful from the standpoint of the nation's interests.

In his warnings Suomi (Center Party) appealed to the foreign policy lessons provided by President Urho Kekkonen. Suomi was speaking at a meeting of the Peace Defenders Council. The subject of his address was Kekkonen's foreign policy thinking.

According to Suomi, one of the key lessons afforded by Kekkonen's realistic approach to foreign policy is the realization that there is just no room at all in foreign policy for mixing feelings with decisions, neither sympathies nor antipathies.

Recently in particular, according to Suomi, some people have been inclined to try to draw a line between, on the one hand, the foreign policy pursued by the nation's leaders and, on the other, the views presented by individual citizens and politicians. "The latter might presumably freely express their sympathies and antipathies if only the nation's leaders were to strictly adhere to realistic approaches. The arguments for this view have changed at different times. At the present time it seems to be fashionable to lay emphasis on the freedoms of the individual and other similar entities. They even go so far as to associate the so-called freedom to appear in public with changed domestic and foreign circumstances," Suomi remarked.

This attempt to make a distinction between the foreign policies pursued by private citizens and government leaders is harmful from the standpoint of our national interests. Like politics, foreign policy must in general be built on the opinion and the will of the majority of the people; it needs the support of a homogeneous public opinion. Because of this, the fact that we at times act as if we were simultaneously pursuing two different policies, but all the same

demand confidence in the sincerity and unshakability of our foreign policy line, now and then gives rise to irritation outside our borders," Suomi said.

Limits Must Be Set on Amateur Policymaking

According to lecturer Suomi, "the limits of the amateur pursuit and debating of foreign policy exercised by private citizens must be recognized."

"Of course, citizens cannot be forced to support the official foreign policy line. Even less so can — or must — their mouths be shut or their freedom to write and express themselves be infringed upon. But Kekkonen definitely appealed to a sense of civic responsibility, so that, when pursuing their own ideals, dissatisfied individual thinkers would not forget the overall interest of the nation. In the final analysis they themselves have to suffer if domestic policy loses the confidence of outsiders. If we have forgotten these facts, government leaders may have reason to remind us of them," Suomi said.

He added that individual positions on foreign policy are often presented in connection with a domestic policy wrangle, with people sometimes even using foreign policy as a domestic policy weapon. "In so doing, however, we forget the fact that nowadays domestic policy issues also more and more often have far-reaching effects on foreign policy, more and more so from year to year. And then it is really hard to draw a line between foreign and domestic policy issues, one which some imagine they are doing by, for example, appearing in different roles when they take the floor."

According to Kekkonen's lessons and Suomi, geographical and historical factors are highlighted in Finnish-Soviet relations. "Nowadays, when so-called civil courage and a 'straight-backed attitude' are again beginning to rear their heads, there is reason to take to heart the advice proffered by Paasikivi and often repeated by Kekkonen: To return to a realistic world view, it would now and then be a good thing for us to take a glance at the map and remind ourselves where Finland is located," Juhani Suomi said.

Because of the "recent discussion," he also reminded us of Kekkonen's lesson, "that it is not up to us to find fault with our neighbors, nor to teach them what kind of social and economic policies they should pursue."

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POLITICAL

FRANCE

JOSPIN VIEWS CHANGES TO FIFTH REPUBLIC INSTITUTIONS

Paris LE MONDE in French 10 Apr 85 pp 1, 7

[Article by Lionel Jospin, first secretary of the Socialist Party]

[Text] The opposition is calling it a betrayal of the Fifth Republic. Many Socialists are pondering the significance and consequences of the change in the voting system planned by the government for the legislative elections of 1986. Some, like Michel Rocard, oppose the choice of proportional representation. In an article submitted to LE MONDE, Lionel Jospin endeavors to answer the arguments of both groups. The first secretary of the PS refers briefly to Rocard's resignation from the government. But in fact, his explanations appear to be answers to the article by the former minister of agriculture [Rocard] that we published in our editions for 6 April.

"We Are not Guardians of the Temple"

The debates that preceded and followed the government's decision to institute proportional representation [PR] brought a proliferation of arguments. Hymns to the Fifth Republic, criticisms of the Fourth Republic, reflections on the Union of the Left or alliances on the right, and electoral prognostications all mingled together in some confusion.

That is why, without claiming to be expressing here the viewpoints of all Socialists in an area where they have demonstrated diversity, I would like to contribute to a degree of clarification. I will do so with my convictions, but without excessive subjectivity and remaining, I hope, within the Socialist tradition.

To ensure the clarity of my remarks, I will respond successively to nine questions.

1. Must Socialists defend the institutions of the Fifth Republic?

Respect them, yes; defend them, no; change them, if possible. Regardless of the part played in their birth by certain leaders of the SFIO [French Section

of the Workers International (French Socialist Party)], Socialists have no reason to become defenders of the institutions of 1958. They are not forgetting that those institutions were the result of a legalized "quasi-coup d'etat" or at least of extreme pressure exerted on the legitimate government to give up its place. Those institutions were tailor-made for one man--General De Gaulle--and gave excessive prominence to the executive branch, and they are less democratic than those existing in other Western countries. Moreover, the system has grown old without endowing the central government with the effectiveness which, apparently, was its original virtue.

Everyone admits that one crucial element is not being challenged: election of the president of the republic by universal suffrage. The rest--the existence of a prime minister, the presidential term of office, the right of dissolution, the role of the Constitutional Council, and balance between the executive and legislative branches--might very well evolve.

At one time, the Socialist Party made timely proposals for reforming the Constitution. The lack of a majority in the Senate and other priorities ruled them out. But this does not mean that such a reform is no longer justified. Socialists have no reason to play "guardians of the temple." And if reform of the voting system can provide flexibility for the institutional edifice, I do not believe they should fear it. It will mean moving ahead--progressing toward modernity--and not moving backward.

2. Must Socialists join in the summary condemnation of the Fourth Republic?

Certainly not. There is nothing more logical than that the Right should make that an article in its creed. Bringing discredit on the Fourth Republic means making the Fifth Republic's birth certificate respectable. And it would mean striking a double blow if the Left, which was badly beaten in 1958, were to accept the blame in retrospect and itself develop the theme that the difficulties of the 1946 regime were due to the PR system.

Since I became committed politically in 1955--at the age of 18--just in time to witness the death throes of the Fourth Republic, I cannot be suspected of complaisance toward the Fourth Republic. But perhaps it is time to reach a more equitable assessment of that period and to recall that like a man, a regime is judged as much by its life as by the way in which it dies.

The Fourth Republic did not die from PR, but from unsuccessful decolonization. If it had been able to keep the Algerian affair under control, there would have been no Fifth Republic. The regime prior to 1958 demonstrated its weaknesses: ministerial instability, excessive support for the Atlantic Alliance, and the weakness of the executive power.

But it also demonstrated its successes: the country's rapid reconstruction, social security and wide-ranging reforms, a bold public sector, intelligent planning, a high rate of investment, economic growth, and the gamble on nuclear energy.

Let us not allow the Right to dictate to us the historical judgment that should be passed on that period. When one sector of the Right talks about 1958, is it not trying to ignore 1945 and the liberation? After all, no one believes that a return to the Fourth Republic is possible.

3. Should Socialists defend the two-round majority system?

First of all, let us recall the source of that voting system. It was the system used by the moderate notables of the Third Republic, and incidentally, it did not cure them at the time of their customary vices: political scheming and ministerial instability.

Is it used in the other Western democracies? Absolutely not, since PR dominates in those countries. And where PR does not exist, its place is taken by the one-round majority system, but only in the Anglo-Saxon countries, which have only two big parties. Far from being the ideal system, therefore, the two-round majority system is a French peculiarity.

So why was it restored in France in 1958 by General De Gaulle, even though he had promised to keep PR? To force the disorganized French Right to regroup and also to conjure up a dominant party within the Right that would be linked to the presidential office. The other objective, naturally, was to keep the Left--supposedly incapable of uniting--in a permanent minority position. The demographic inequality of the constituencies was also designed to make that result more certain. That is why the Left, while it adapted to the electoral mechanism imposed on it, always meant to modify it.

4. Is the majority voting system adapted to the current political situation?

I do not believe so. It is true that by a paradox of history and in an exceptional situation, that voting system gave the Socialist Party an absolute majority in the National Assembly. That situation surely facilitated alternation, but it also created many illusions about our real strength.

Times have also moved faster. The Communist Party's decline and its turnabout in July 1984 have created an impossible situation. The voting system forces the two leftist parties--at least in principle--to form hastily contrived electoral unions in time for elections, whereas one of them--the Communist Party--spends its time denouncing the other before and after those elections. I consider it illusory in the long term and perhaps dangerous in the short term to try to tie the PCF up in the wrappings of a voting system. I want that party to assume its responsibilities, freely and clearly, before the Left and the world of labor. That is why I prefer free political union to an unconsummated electoral marriage. As regards the Left's voters, and particularly the PCF's voters, nothing prevents us from speaking and acting on their behalf.

Moreover, the obligation to withdraw from a race rules out all differentiation in the unprincipled magma now constituted by the French Right. There could be three branches of the Right: the first more authoritarian, more populist, and more nationalistic; the second more liberal, more conservative, and more supportive of the Atlantic Alliance; and the third more Christian, more social,

and more sentimental. What we are being offered instead, for reasons of electoral expediency, are political unions or nebulae that are distinguished from each other not by their values or platforms but by group habits, the client system, and allegiances to potential winners in the race for the presidency. When Mrs Veil walks with Caudin and Seguin walks with Pasqua, it is democracy that limps.

Lastly, the voting system in question creates connivance between the Right and the extreme Right, since the former can hope to convert the votes won by the latter into seats in Parliament. PR will make the traditional Right face up to its responsibilities with respect to the extreme Right. If it continues to feed the latter, it will get its hand bitten.

It is time to reintroduce clarity and honesty into relations within the Left and within the Right. If reforming the voting system can contribute to that end, it will be a factor for democratic health.

5. Why did the Socialists come down in favor of PR in 1971?

Because--if there is any need to recall this--PR belongs to the socialist and democratic tradition. For the Left, suffrage must be fair and equal. For the Left, the voting system must favor a vote for major political currents and the ideas for which they serve as a vehicle, not a vote for notables.

I hear it said that with PR, candidates would be selected by the parties rather than by the voters. But to my knowledge, the fact is that while the voters elect deputies, they do not select candidates. Besides, what is the point of this constant criticism of the parties? If the idea comes from anywhere, it does not come from socialist culture or even from democratic culture. Should we prefer notables from now on? Do we want to entrust our political life to providential men or pressure groups?

Well then, is the danger due to the harmful role of "party apparatuses"? The PS apparatus consists of a permanent staff of 130 at the national headquarters and 150 more in the federations. But those men and women--those dedicated militants--will carry no more weight in selecting candidates in the future than they have in the past. That is not their job. Is the criticism aimed at the national leadership and the leadership in the departmental federations? Those are not "apparatuses," but leadership bodies elected by and representing the militants. Besides, the Socialist Party's members will participate actively, in ways adapted to a different geographical framework (the department instead of the old constituency), in the selection of candidates.

6. Is there an inescapable link between the majority voting system and the Socialist Party's strategy of the Union of the Left?

In the minds of the originators of that strategy, that was clearly not the case. In 1972, when that strategy was made official by the signing of the common program, what the program called for was a return to PR.

Actually, a voting system does not make a strategy. If the disunity on the left is so great that it leads the PCF to refuse to withdraw its candidates

(the so-called "class-against-class" tactic of 1928), majority voting may cause the jaws of the electoral mechanism to close again on the broken back of the Left. Conversely, under PR, if the PCF and PS are united, they can go into an election separately and agree later to govern together--if they win. After all, the withdrawal of the PCF in the cantonal elections did not persuade anyone that the Union of the Left had returned.

But is it not possible that a voting system may make strategic development easier? The question deserves to be asked. And it will be at our next congress. But it must be considered that the problem of the majority or of alliances will arise for the PS regardless of voting system if the PCF decides to turn its back on the Left.

But even so, nothing can force the PS to enter into alliances with the Right, abandon its values, or turn its back on a rallying of the people's forces. Nothing, that is, except the PS itself. A voting system is a means, not an end. I am one of those who believe that PR can open up a passage for us. I am not one of those who believe that it is diverting us from our path.

7. Why did the government not choose a mixed system?

It can be said that with one or two exceptions, everyone agreed in favor of electoral reform. It is true that we considered a system combining majority voting with PR. Why did the government not choose a mixed system?

For reasons of simplicity: a mixed system is more complex.

For reasons of feasibility: a mixed system gave our political opponents more ground for argument in the parliamentary debate.

For political reasons: there is a logic of PR and a logic of majority voting. If we were ready to change, should we not have made a real change? That was the government's choice, and like any choice, it is open to dispute.

8. Did the Socialist Party play its role fully in the decisionmaking process?

The majority party in the National Assembly and its parliamentary group were constantly associated with the process of working up the reform. Should that debate have been concluded in a Socialist Party convention? To that formal question, there is a formal answer. The Socialist Party's official stand, never contradicted since 1972 and confirmed in 1981, was support for PR. So there was no need to hold a convention to decide to implement it.

But the answer given by the Socialist Party's leadership and myself was primarily political.

Because while everyone agreed that the voting system should be changed, there was great diversity of opinion as to what the new system should be. That diversity cut through the party's various political currents and sometimes even individuals. Between those wanting to introduce a degree of PR and those wanting the introduction of PR across the board, the balance on the Socialist

Party's Executive Board (and, I believe, on its steering committee as well) was almost even.

In the absence of a dominant opinion, it is clear that a vote barely won would not have helped the Socialist Party bring real weight to bear on the decision which remained to be made and which had to be made by the government. By not voting for a specific system, but making the diversity of its viewpoints known, the Socialist Party was protecting its subsequent ability to bring all its weight and conviction to bear, either from a unanimous position or one reflecting a strong majority, on another basic issue at the necessary time. What the Executive Board decided, responsibly and by an overwhelming majority, was in the interest of the Socialist Party.

9. What should we think of the resignation of a member of the government?

As an individual and a political official, Michel Rocard made use of his freedom to resign from the government. I have no quarrel with his decision.

What interests me now, as first secretary of the Socialist Party, is how, in coming weeks and months, he will respond to the interests of the movement and party to which he belongs. It is from that angle that I will make my personal judgment. Because as far as the basic arguments having to do with electoral reform are concerned, I believe that I have just made my feelings known here.

A proposed voting system will soon be submitted to the National Assembly and then, amended or not, it will be approved. From that point on, the question before us will not be that of how to go about voting, but how to win. How can we answer the people's questions, help them solve their problems, and convince and lead them? On that basic question, the diversity existing among Socialists will give way to unity.

11798

CSO: 3519/218

POLITICAL

GREECE

ND ERRORS SEEN WINNING TOLERANCE FOR PASOK

Athens POLITIKA THEMATA in Greek 5-11 Apr 85 pp 26, 27

/Excerpts/ It would be a mistake for one to believe that Papandreou's recent handlings--much as they may have distressed some of his cadres or PASOK deputies--have deprived him of the broad popular acceptance he enjoyed. This fact is worth studying and analyzing. In other words, while the premier appears inconsistent by using various dirty tricks, thus hurting his credibility and prestige, how can the PASOK cadres and people follow him without any reactions and protests which would inevitably provoke similar actions at other times?

Can it be that all moral resistance in the PASOK ranks has eroded and reached low levels? Has the PASOK leader been given a permanent carte blanche approval, continuing to enjoy the trust of the cadres for his actions?

The answer must be positive. At least among most of the party's rank and file Papandreou continues to enjoy popular approval and acceptance. Whoever fails to see this is either a victim of his political fanaticism or is deliberately blind. It is exactly this point that ND must fully and clearly analyze in determining its political confrontation with PASOK.

PASOK has repeatedly proved its autocratic organizational structure. It is certain that the monolithicity which appears so undisturbed would have been shaken if the rank and file reacted. But--albeit with some desertions--the rank and file remains solid.

There is . . . explanation for this. But, being a hard one, it is concealed... This is due to the fact that Papandreou usurped the impression of being the defender of all those banished and persecuted during the civil war and afterwards. The excesses of the Right at that time hurt a large section of the people. It established the second-class citizen category and persecuted those with contrary opinions. Those excesses persisted, simmering in the hearts of a large section of the people, despite the July events and the dictatorship and despite the effort to push them into oblivion through the excellent Karamanlis democratic rule and civil rights equality he imposed.

The slogan, "Never Again the Right," Papandreou--and his American advisers--discovered, had an impact on the people who felt they were getting--albeit

late--their revenge. By establishing the post-junta state of civil rights equality Karamanlis neutralized for a long period this explosive force which simmered in the Greek political body.

Perhaps his mistake was that he failed to bring about deeper changes in his party. Instead of attracting cadres of the new political forces, thus renewing in depth the political life, he re-established persons who played a definitely negative role in the political developments since they were unable to recognize the gigantic modernization steps he was initiating. This weak point of the Karamanlis premiership during the post-junta period was imperceptible because, as long as he was active in politics, it was shadowed by his political radiance.

The Course to the Right

We must say that during the Rallis premiership also this force remained imperceptible despite the fact that during the period Rallis governed, a sinister activity to undermine his personality was initiated--an activity which if nothing else impeded the development of democratic initiatives on his part. The reversed policy and the realignment of ND with the elements of the Right became a clear and steady course during the Averof days. It was exactly that period which led the old leftist forces to close ranks with PASOK.

Averof's harsh reactionary rhetoric, coupled with the changes he initiated but never realized toward the people and the "irreconcilable ones," created an intra-party disappointment and at the same time brought about closer cooperation between PASOK and KKE, both of which could see the clear re-emergence of the old Right.

This period--and its mistakes--provided for PASOK the time and political comfort to promote the slogan, never again the Right--a slogan which awakened old memories and at the same time brought together a section of those who for many and various reasons became disheartened with PASOK but could not be associated with ND which followed a course more to the Right.

It is a fact that in the Euroelections ND indeed showed an increase in its forces compared with PASOK whose strength declined. But this could not, of course, be attributed to Averof's personality nor to his turn to the Right. The Euroelections as such could not have the significance of the parliamentary elections. But who could say with certainty what would have happened if for the Euroelections ND presented a list of candidates selected from the broader democratic area? How much did the election of Averof and the failure of Madame Isouderou contribute to ND? Or, for that matter, the election of Gianqos Pasmazoglou with ND votes?

It was evident that with the ultra-conservative Averof as leader ND could not effectively confront PASOK and needed a change which, fortunately, was not late in coming. By choosing K. Mitsotakis over K. Stefanopoulos the ND

Parliamentary Group evidently recognized the special advantages of the former liberal: his affiliation with the Center as well as his personal vendetta against Papandreou.

Mitsotakis' mistake--which can be explained to a degree--is that he failed to immediately make ND available to political persons who would broaden its range. Today, these persons--if it is assumed that they have maintained some personal objections toward Mitsotakis--are offering their full participation. This opportunity must not be lost. Because, even if Papandreou points out in his campaign the danger of the Right's revival through the systematic promotion to first category of erstwhile third-category citizens and vice versa, the only ones who can spoil his strategy and refute his arguments are the centrists who will join the liberal ND not as intruders but as first-category citizens.

It is about time that the party's backers--and especially those who could not or did not want to be re-oriented--should realize that their contribution is negative and should step aside. Otherwise the great election battle--some even hint that it may be the last one--will be fought but without the assurance of an ND victory which could be scored if the demand for renewal--a demand by the ND rank and file--was accepted, especially now since time dictates it.

7520

CSO: 3521/246

POLITICAL

GREECE

SARTZETAKIS SEEN FULLY DEPENDENT ON PASOK

Athens ENA in Greek 4 Apr 85 p 9

/Text/ Tomorrow's rally ND is organizing at Syndagma Square will decide to a large extent the fate of the "disputed" president of the Republic and the life of the present Chamber of Deputies.

Behind the scenes, all agree that the solution must be political and the result of compromise since whatever judicial solution is sought or given, it will not be accepted by the one or the other party. Nor will it be irreversible. Thus, the political battle which began on 29 March with the disputed vote of Giannis Alevras (for Sartzetakis) will not end unless there is a definite solution.

The only non-participant in this battle is Khristos Sartzetakis himself. Not because of lack of interest or an inclination to remain neutral and above party partiality, but simply because it was not possible for the country's constitution to provide a balancing role or intervention by the president when the object of the political dispute is the president of the Republic himself. In addition, Sartzetakis is now politically identified with PASOK since the major opposition party refuses to recognize his election or to cooperate in presidential functions.

On the other hand, his virtual identification with the party now in power constitutes one of the severest ND accusations that even if Sartzetakis was installed as a president determined to exercise his duties irreproachably and impartially, he must by now have realized that there is no possibility of his being "free of control" from the premier's office in the Maximos mansion.

In his presidential mansion Sartzetakis found a staff of 120 persons who are committed to serve him. All of them--except the technical and household personnel (gardeners, cooks, attendants, etc.) are "more politically oriented" than the president himself.

During Alevras' "interim presidency" after the Karamanlis resignation, the government hastened to fill the most sensitive positions without waiting for the election of the new president. Moreover, even if he wanted, Sartzetakis

could not have an opinion or objection in the selection of personnel in the presidential mansion.

The political "brain" in the mansion has the following structure: the president's secretary general (Petros Molyviatis during the Karamanlis term and K. Beis during Alevras' presidency) is the head of all services. Following him are three directorates--the Legal Office with a staff of nine which prepares and studies legislative work, the Diplomatic Office with a staff of three, and the Military Office, also with a staff of three. In addition, there is the president's private office with a staff of five and the Press Office with four employees. (The other administrative or financial services are of no political consequence and therefore any other personnel changes, or appointments, are unimportant.)

It is evident, therefore, that as a result of this brain structure, Kh. Sartzetakis, having no political experience, knowledge or contacts, could not participate in the procedure for selecting persons...of "his confidence." The PASOK government willingly, of course, assumed the task of selecting the personnel "for him before he took over." The same procedure will be followed if Sartzetakis ever decides to have a special adviser or collaborator.

But it is not only the "party web" which will neutralize any intention or action for independence on the part of former Supreme Court Justice Sartzetakis. Besides the advice, recommendations and opinions given to him by the party leaders, his other information and updating on the whole spectrum of the domestic and foreign policy depends exclusively on sources fully controlled by the PASOK government. This entire procedure can serve as a warning to those seeking the presidency that, in other words, they must prove their total orientation and submission to the party.

A prominent politician remarked a few days ago that the "danger of the president submitting to party control will always exist. Any change will depend on the president's intention to resist and the possibility of reacting."

In the case of Sartzetakis the possibility of reacting does not seem to exist. But the problem becomes more difficult the moment when the major opposition does not recognize even "the intention to resist" to his being controlled by PASOK.

7520

CSO: 3521/246

POLITICAL

ICELAND

SECOND PART OF FOREIGN MINISTER'S PROPOSALS FOR NATO ROLE

Reykjavik MORGUNBLADID in Icelandic 11 Apr 85 p 29

[Section of the Statement of Foreign Minister Geir Hallgrimsson to the Althing on Foreign Affairs: "Active Participation in Defense Cooperation"]

[Text] There follows a section from the statement of Foreign Minister Geir Hallgrimsson to the Althing on foreign affairs. The statement was presented to the Althing yesterday, Wednesday:

Knowledge of Defense and Security Issues--Office of Defense

To achieve better control over and increased knowledge of defense and security issues, the Icelandic Ministry of Foreign Affairs has in the past laid emphasis on securing connections with NATO military authorities in Brussels and in Norfolk, and likewise with our neighboring countries. Last May Iceland began to participate in the business of the NATO Military Affairs Committee. Discussions were recently held in London with representatives of the British Ministries of Foreign Affairs and Defense wherein an exchange of views took place on the state of affairs in the North Atlantic. Statements have been secured from the Scandinavians on the radar stations issue and there have been discussions with NATO officials on various aspects of this same matter.

With respect to the Americans and NATO, great emphasis had been laid on the fact that the Icelandic government should continuously receive information on the Icelandic military position and that nothing should be undertaken affecting Iceland's defense position without conferring with Iceland. We wish to be and will be active participants in NATO defense cooperation at every stage.

I noted in my report last year to the Althing on foreign affairs that there should be attention devoted to finding the best way to strengthen the ministry's Defense Section, both in reference to the present scope of its work and also especially in reference to the fact that there should always be adequate knowledge within the Icelandic Ministry of Foreign Affairs about defense and security issues. To follow up in this regard I have decided upon those changes in the Defense Section whereby its responsibilities will be gradually expanded in the future, among other things, through enlistment of specialists with military and military technological experience and education. The Defense Section will henceforth be a special office in the Ministry of Foreign Affairs. The duties of the office will be as follows:

--a) It will be responsible for matters concerning the carrying out of the defense agreement between Iceland and the United States, via law number 110/1951.

--b) It will be responsible for military and military technology matters pertaining to intelligence and research so that it will be possible at any given time to make an objective Icelandic evaluation of the military position, defense needs and arrangement of the defenses of Iceland.

--c) It will be responsible for participation in the business of the NATO Military Affairs committee. It will cooperate with the garrison force and the NATO North Atlantic Command (ACLANT) on proposals concerning the defense of Iceland. It will cooperate with the defense departments of NATO member countries and other countries according to the decision of the Icelandic Minister of Foreign Affairs.

--d) It will be responsible for depositions and advice to the government.

--e) It will be responsible for cooperation with Icelandic Civil Defense and the Icelandic Coast Guard.

--f) It will have control of all matters in the military areas and of those state offices that work in or in connection with the military areas and come under the control of the Ministry of Foreign Affairs, via law no 106/1954 and statement no 96/1969.

--g) It will be responsible for supervision of companies and services operating in the military areas. It will be responsible for cooperation with neighboring countries that are adjacent to the military areas and institutions and parties that have interests in terms of the garrison force.

Nature of Military Bases

The garrison force is in Iceland for the defense of Iceland and areas situated about Iceland by our own request. The surveillance function fulfilled by the garrison force is an essential precondition for it always to be possible to determine increases in Soviet military strength near Iceland so that NATO may respond in an appropriate manner. The nature of the military bases has not changed in spite of a major reconstruction and improvement of them that began late in this decade. Such improvement is necessary if the bases are to fulfill their defense and surveillance tasks and these tasks involve air defense on the one hand and surveillance of submarines and ships on the other.

The fact is clear that the buildup of Soviet military forces on the Kola Peninsula, which began by and large at the end of the 1970s, during the era of detente, has been continuous and intentional. In a report of the Norwegian General Staff published last January there is a survey of the Soviet military buildup in the Arctic during the last 20 years. The report comes to the conclusions that it has been substantial and special note is made in the report of the progress in weapons. For example, the number of major warships in the Soviet Northern Fleet increased from 50 to 90

during this period, with cruisers increasing from 3 to 12. Submarines equipped with long-range missiles have increased from 26 to 39 and boats with medium range missiles have increased from 19 to 31. It is estimated that the Soviets have a total of 180 submarines in their Northern Fleet.

Causing concern for Iceland are the advances that have been made in the technical equipment of Soviet military aircraft. Older medium range bombers have been equipped with cruise missiles. Newer long-range bombers, which are supersonic and called Backfire, have been put into service and within a few years a still more developed bomber, called Blackjack, will be added to the Soviet Airforce.

Air Defense Components

Every country is afraid of flights of unidentified aircraft within its airspace unless the appropriate countermeasures have been taken. It has been the task of the garrison force to identify all unidentified aircraft coming into its surveillance zone, to follow their flights and to have the appropriate military equipment available if the unidentified aircraft deviates from its course. The surveillance zone of the garrison force extends approximately 140 nautical miles from the shores of Iceland (see the first map which shows both the surveillance zone and the estimated range of the four radar stations at an altitude of 13,000 feet). To fulfill this task the garrison force has 12 fighters, model F-4E phantom, two AWACS surveillance aircraft, one aerial tanker, model KC-135, and two radar bases, one in Midnesheidi and the other in Stokksnes. In the light of the developments that have taken place in Soviet long range bombers and cruise missiles, it has been considered necessary to strengthen Icelandic air defense and the surveillance zone around Iceland. Expected later this year are 18 fighters, model F-15, to replace the phantoms. The new aircraft have increased range, which will make it easier among other things to dispatch them into the northeastern portion of the surveillance zone without tanker support. The construction of 9 stronger aircraft shelters will be completed. The shelters will house F-15 fighters and it has been decided to build four more shelters in addition.

Since there is no land radar surveillance out past Norway and since the two AWACS aircraft cannot remain in the air continuously, construction of two new radar bases in the West Fjords and in Northeastern Iceland, the reequipment of the existing bases in Midnesheidi and Stokksnes, now obsolete, and the establishment of a surveillance base at the Keflavik Field, to receive information from all four radar bases has been proposed. The air defense role will not change due to such changes in the radar and surveillance system and will be fulfilled in a way superior to how it is fulfilled at present. The radar bases will be equipped with long range aircraft surveillance radar adequate for a region of up to 200 nautical miles from each base so that the ranges of the radars will correspond more or less to Icelandic economic jurisdiction. The increased range of the radar system will give the garrison force more time for reaction and the longer range fighters will enhance the capacity to react. It is thus clear that improvements of these sorts will greatly improve the air defense of Iceland, something

absolutely needed in view of the developments that have taken place in Soviet military equipment. It is expected that a crew of 11 will be needed to operate each radar base and Icelandic employees there will be involved. Since supervision will be transferred to the surveillance base in Keflavik, there will be a considerable decrease in the numbers of garrison personnel in Stokksnesi and Midnesheidi.

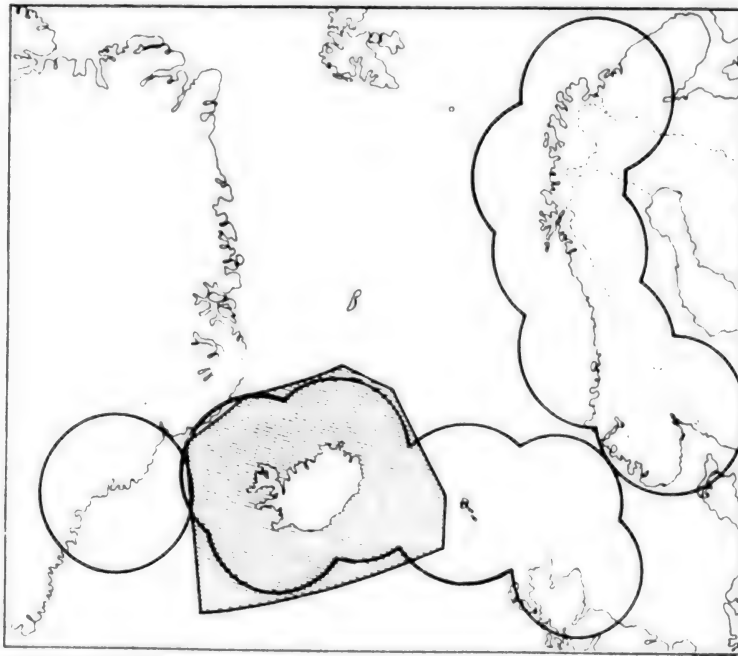
Special use of the radar stations by Icelandic parties will be in particular in terms of civil air traffic control and surveillance of shipping movements in the vicinity of the radar bases. They may also provide weather information. Complete air traffic services may be provided for international and domestic flights at the most common altitudes and in many cases the radar bases may be used to control flights to airports in the vicinities of the radar bases. Special nautical radar equipment, to be installed at the bases, will make possible surveillance of ships up to 60 nautical miles in the ocean. Information from the radar bases should thus greatly increase air and coastal waters security. It is planned that the radar bases will begin operation in 1987 with temporary equipment to be provided by the Americans. The ultimate equipment, to be paid for by NATO, will be available two years later. The Icelandic Government and Icelandic experts are taking an active part in every stage of development. Engineering and equipment design is being carried out according to Icelandic standards with local conditions in Iceland being taken into account. For more detailed information on the radar bases I call your attention to the full report issued by the Defense Section of the Icelandic Ministry of Foreign Affairs at the end of last year.

Submarine and Ship Surveillance

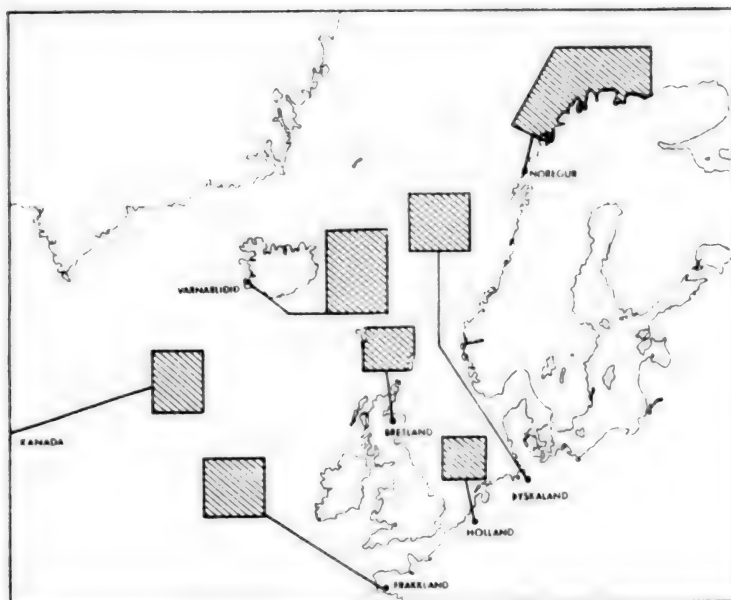
Air submarine and ship surveillance has been carried out by the garrison force from Keflavik since the garrison arrived in Iceland in 1951. The present fleet of aircraft, model Orion P-3C, have been in Iceland since 1969 and a squadron of 9 aircraft takes up residence at the base for 5 months at a time. There is close cooperation in North Atlantic submarine surveillance with our allies in Europe. Antisubmarine aircraft from Britain, France, the Netherlands, Canada, Norway and Germany take part in this surveillance on a daily basis each in agreed-upon regions that change from day to day. Map 2 shows examples of such antisubmarine patrol regions. Aircraft from these countries often have stopovers of several days at the Keflavik airfield and take part in garrison surveillance and training flights. This is a good example of the close defense cooperation and exchange of information taking place with NATO.

Of interest in this connection to the Ministry of Foreign Affairs is the Dutch request for permission to station an aircraft in Keflavik of the same type that the garrison force has at its disposal. The Dutch request is first and foremost for the purpose of acquiring the means to train Dutch crews in North Atlantic surveillance activities in the interests of collective NATO security. The number of Dutchmen involved would be 30 at most, including both aircraft and ground crews, and their stay in Iceland would be from one to two months at a time. There would be no increase in the garrison force since there would be a corresponding decrease in American aircraft and forces.

Submarine surveillance below the surface of the sea through the so-called SOSUS listening system has been going on in the North Atlantic for many years. A surveillance base of this kind has operated in Iceland for almost 20 years. This system is, along with the information provided by antisubmarine aircraft, an important part of what allows NATO to have adequate information about the movements of Soviet submarines at any time. It would be a major task of Soviet submarines to cut off the sea lanes between North America and Europe during times of attack or of danger. Thus surveillance of Soviet submarines is a matter of urgency, especially surveillance of their missile submarines, which can threaten the nations of the NATO alliance on both sides of the ocean.



Map 1: Range of Shorebased Radar in North Atlantic and Icelandic Surveillance Zone



Map 2: Patrol Zones of Shorebased Antisubmarine Aircraft

Statement to the Althing on Foreign Affairs

Foreign Minister Geir Hallgrímsson presented to the Althing a detailed, 53 page report on foreign affairs, along with a 318 page report on Iceland's participation in the 39th UN General Assembly of September-December, 1984.

The report on foreign affairs is comprised of the following parts:

Introduction

Chapter on international affairs discussing the cooperation of East and West, disarmament, a Nordic nuclear-free zone, the Helsinki Accord, the Stockholm Conference, Africa, the Near East, the Far East and Central and South America.

International Institutions and Regional Associations: 1) the UN, 2) ECOSOC, 3) UNESCO, 4) WHO, 5) The Women's Council in Nairobi, 6) the European Council, 7) Nordic cooperation and 8) Greenland.

Defense and Security Issues: 1) Discussion of the role of the garrison force, 2) the Office of Defense, 3) the nature of the military bases, 4) the air defense component, 5) submarine and ship surveillance, 6) the role of the Icelandic Coast Guard, 7) Helgúvík, 8) the headquarters, 9) garrison force contracting tasks, 10) new construction, 11) the NATO major construction fund, 12) the numbers of the garrison force (3,057 total), 13) the new airfield--air traffic, 14) free port, 15) various activities.

Law of the Sea issues: a) the UN Law of the Sea Treaty, b) sea bed issues, c) whaling, d) the North Atlantic Salmon Protection Institute (NASCO,

3) fishing of other nations in Icelandic waters, f) division of the capelin stocks and g) fishing of Icelanders within the fisheries jurisdictions of other countries.

Developmental cooperation, among other things developmental assistance. Appropriations of state funds for this were 72 million kronur in 1984, i.e. 0.107 percent of estimated national production.

Foreign trade for 1984. The Icelandic foreign trade deficit was 4,130 million kronur, i.e. 6 percent of that year's national production.

9857

CSO: 3626/30

POLITICAL

ICELAND

INDEPENDENCE PARTY CONGRESS BACKS RADAR STATION PLANS

Palsson Opens Congress

Reykjavik MORGUNBLADID in Icelandic 12 Apr 85 p 1

[Excerpts from a Speech by Thorsteinn Palsson, Chairman of the Independence Party, to the Party's 26th Congress: "We Will Consolidate the Real Position of the Party within the Coalition"]

[Text] "We come together here at this time, first and foremost, to consolidate the real position of the party within the coalition. We come to attune our views, increase concord and seek after strong support among the people for the issues that we fight for at present and our fundamental points of view," said Thorsteinn Palsson, chairman of the Independence Party in his keynote speech to the 26th Independence Party Congress meeting yesterday afternoon in the Laugardalsholl.

The Independence Party Chairman directed his words at the Progressive Party, the Independence Party's coalition partner, in the following manner, among others: "The question as to whether or not this coalition will be a long or a short one comes down to whether or not its deeds will be allowed to speak based upon the objective foundations that will be laid down in the political statements of this meeting." He then said that he intended to cause political disappointment to the opponents of the party by making clear that the Independence Party will not fall "into their clutches at the first threat. That would signify the utter weakness of the party. We will not answer their call for the simple reason that they have placed their own interests above those of the nation."

After Thorsteinn Palsson had discussed political events in the almost two years since the last Independence Party Congress and his election as party chairman, he said that the essence of the matter is that political conditions alone do not call for elections and added: "The primary reason for calling an election would be that there is no longer real support in the Althing for a majority government capable of dealing with the issues that come before us in an acceptable way. I have thus said that it is not the right time to bring forward and answer the question of elections at this congress."

Palsson said the party's political opponents have become more active recently "On the one side the leftist parties are supporting tax increases and class struggle. On the other, under the leadership of the Independence Party Iceland is enjoying tax decreases and the cooperation of the classes. Perhaps the goals are the same. The approaches of the parties are, however, as unlike as possible.

Referring to the discussions of the political authorities with persons in the labor market, the party chairman said that such cooperation will only be fruitful if success is achieved in three major areas:

- 1) That wage changes protect purchasing power and do not result in a new powerful inflation.
- 2) That a stagnation of economic growth be prevented through a new ordering of employment.
- 3) That through housing measures progress is made towards having house ownership not just a possibility but a reality for all. If these things prove impossible it "would be natural and right that the voters receive the opportunity to decide how things should stand."

This is the first time that the Independence Party Congress has been held in the Laugardalsholl and the congress will take place there until Sunday. The meeting hall has been provided with placards and arrays that among other things repeat the congress slogan: all as one. No other building could house all 1189 persons participating and the 1,800 to 2,000 coming to hear the speech. The Kristjan Magnusson Quartet played before the meeting opened and the 18 man orchestra of Gunnar Thordarsson played following it when the meeting began. Bjorgvin Halldorsson, Thuridur Sigurdardottir and Sverrir Sudjonsson sang. Brass players from the Mosfellssveit school band played at the close of the meeting.

Paper on Chairman's Address

Reykjavik MORGUNBLADID in Icelandic 13 Apr 85 p 32

[Editorial: "Events Will Determine Whether or not There Will Be Elections"]

[Text] Independence Party Chairman Thorsteinn Palsson made no secret in his keynote address to the party's national congress of his views that events and what happens in coming weeks will determine whether or not the coalition of the Independence Party and the Progressive Party will continue. Since it is asserted that the Independence Party Chairman has been talking about it for a week, there is good reason to look at the reasons for his statement to the effect that there is nothing wrong with lengthening the Althing's term of office this Spring to see to urgent issues.

"The national congress of the Independence Party is in fact and truth an enormous power in Icelandic politics. It has had a decisive impact upon the evolution of political events in Iceland," Palsson said, and added: "I think that I am not exaggerating when I say that Independence Party Congress is the only force in Icelandic politics that can, through its determined policy decisions, eliminate uncertainty and direct the nation forward towards an advance and optimism."

Not a little is said in these words about the importance of the meeting now taking place. The more power men have the more important it is that

they know what to do with it, for good or for evil. Thorsteinn Palsson in his speech emphasized moderation in advocacy but firmness in carrying out things through to victory. He asked that there be no ill-advised step and said: "When we have, at this meeting, shown the strength that resides in the Independence Party and the power that lies behind its arrangements it will become clear whether or not that coalition--the government coalition with the Progressive Party, MORGUNBLAÐ--will be a channel for the construction and renewal of Icelandic employment or whether other methods must be found in these areas."

When we look at those issues emphasized by the Independence Party Chairman, they may be summarized as follows:

--In discussions with parties in the labor market the government will obtain cooperation in wage changes that will protect purchasing power without an inflation explosion; reorganized Icelandic employment will lead to economic growth; the proposals of the Independence Party in housing issues will be taken up.

--There must be stability in foreign exchange matters and fiscal conservancy.

--Constraints will be placed on the limited freedom of banks to make interest decisions. The role of state banks will decline.

--Agreed-upon changes in agricultural matters will continue.

--The private financial bases of fisheries companies will be strengthened and private enterprise protected against the threat of socialistic machinations and proposals for a policy of public supervision.

--Legislation will be enacted against monopolies.

--State enterprises and state owned shares in business enterprises will be sold.

--Hydroelectrical power will be developed and heavy industry built up in cooperation with foreign partners.

--There will be no wavering in either foreign or security issues. The radar bases will be built and a unilateral declaration of a Nordic nuclear-free zone will be rejected.

--The Icelandic State Television monopoly will be revoked by this Althing and all television stations will be granted rights to raise funds through advertising.

Thorsteinn Palsson said that these issues will decide with regard to the position of the Independence Party on coalition with the Progressive Party.

The message to the Progressives in Palsson's speech was clear. Government coalition and its continuance will depend upon whether or not "deeds will be

allowed to speak in terms of the objective bases that will be laid down in the political statements of this congress." The Independence Party Chairman himself listed those things that he felt must be in such statements, as indicated above.

No one can predict at present whether or not the Progressives will accept the Independence Party arrangements discussed here. Shortly before the congress the Althing delegation and administration of the Progressive Party saw the need to show their support for the government in a special resolution. The Independence Party seems ready to do the same under the clear and unmistakable conditions set forth by Thorsteinn Palsson in his speech, which should be well received on account of how much is in it.

Discussion on Radar Stations, Elections

Reykjavik MORGUNBLADID in Icelandic 16 Apr 85 pp 26-27

[Report on the 1985 Independence Party Congress by Bjorn Bjarnason: Discussion of Policy and its Clear Execution"]

[Excerpts] The first resolution offered to congress delegates late on Saturday was about foreign affairs. In the discussion of the resolution Bjarni Magnusson of Grimsey was recognized and he stated that he was ready to give the Icelandic government a parcel of his land on the island if it wanted to build a radar station there for the defense of Iceland. Hrafnkell A. Jonsson, an East Fjords man, who had recently supported a resolution at the East Fjords quarters meeting against the radar station, took up the matter and explained his change of mind in defense and security issues. He supports the Independence Party policy completely.

Asgeir Hannes Eiriksson, who had stood alone in his position on the foreign affairs committee of the congress, made the proposal that the garrison force be made responsible for building highways in Iceland and called for a written ballot--the only written ballot on an issue at the congress. The proposal was defeated by 312 votes to 153, with 38 invalid.

Elections

Before the congress there were rumors in the papers that Helena Albertsdottir (daughter of Icelandic Minister of Finance Albert Gudmundsson) was planning to stand for election as party deputy chairman. The rumors became so rife that Albertsdottir saw reason to make a statement on the subject late on Friday and state that she was not standing for election as deputy chairman. In her speech, Albertsdottir criticized the party leadership among other things for not supporting government ministers inadequately during the strike battles of last Spring. The party leadership neither set in motion mass meetings nor the issuing of newspaper releases to promote the cause of the ministers. To the contrary, some young party members showed initiative in this area and began television broadcasts and the issuing of press releases. Albertsdottir finished her statement, on the other hand, by stating her support for the party leadership. (It may be noted parenthetically in this

context that there were no discussions at the congress of the conduct of Free Television during the strikes and, as people will remember, the opponents of the Independence Party went on as if the Independence Party had been behind the television broadcasts and had given its blessing to violations of law).

The election of the party chairman and deputy chairman took place in such a way that people could nominate any congress delegate so that the election is an open one. No one formally stands for election, all stand for election. Thorsteinn Palsson received 892 votes out of 955 voting, i.e. 93.4 percent. He can be very happy with the results. When Palsson was first elected at the beginning of November 1983, there were three candidates and the vote split so that Palsson received 57 percent, Fridrik Sophusson 26.8 percent and Birgir Isleifur Gunnarsson 16.8 percent. During the time that has passed since his election, Palsson had been able to unite the party behind him.

Deputy chairman Fridrik Sophusson was elected to that office for the third time. He received 78 percent of the vote, i.e. 746 of 955 voting. He received 93.6 percent of the vote in 1983. In this year's election Mayor David Oddsson received 93 votes for deputy chairman and Minister of Industry Sverrir Hermannsson 45 votes. In the party's central committee elections, three newcomers were elected. They were Gunnar Ragnars, chief of the Akureyri Slipways, Sigurdur Einarsson, Vestmanneyrir manager, and Erlendur Eysteinnsson, a farmer from Storgilji in East Hunavatn County. Mayor David Oddsson was in first place with 90 percent of the vote, then outfitting manager Einar K. Gudfinsson of Bolungarvik, with 82 percent of the vote, next Bjorn Thorhalsson, deputy chairman of the Icelandic National Association of Trade Unions, with 80 percent, then Foreign Minister Geir Hallgrimsson with 77 percent and David Sch. Thorsteinsson, manager, fifth with around 70 percent. Odinn Sigthorsson and Jonina Michaelisdottir did not stand for reelection to the party central committee and Jon Magnusson, lawyer, was not reelected.

Congress Resolutions Listed

Reykjavik MORGUNBLADID in Icelandic 16 Apr 85 p 34

[Article: "The Independence Party Agenda"]

[Text] The 26th Congress of the Independence Party calls upon the party Althing delegation to make special efforts to bring about the following:

- 1. The primary aim in managing the economy will be reduced inflation, labor market equilibrium and elimination of foreign debt. There will be no slackening with respect to proposals for a billion dronur decrease in foreign public loans this year. Control of money and credit and the foreign exchange settings of the Icelandic krona will be aimed at deficitless foreign trade by 1986. An uncontrolled financial market will be continued.
- 2. Emphasis should be placed on free foreign trade. Exporters should be given the choice of placing the value of exports in currency accounts in domestic banks with rights of free disposal. Agricultural policy should

involve, first and foremost, the creation of profitable enterprises. Income accumulation possibilities from agricultural employment should be protected through improved foreign exchange settings and a more rational money policy rather than through an agricultural policy that involves a system of supports at the cost of taxpayers, consumers or the public purse.

--3. State activities should be decreased through a reduction in state expenditures and the sale of state enterprises. State banks should be converted into joint stock companies. The income tax should be reduced. The tax burden of households should be irrespective of the labor division of their breadwinners with incomes. A portion of income taxes should be structured to encourage savings. The state household should be run more or less without deficit and increased financial appropriations should be approved by the Althing or the appropriations committee before they are made.

--4. Housing loans should be directed especially at those who are first time house buyers. Loans for the purchase of existing housing should be at least 70 percent of new construction loans. Effort should be made to decrease proportions required for downpayments in real estate transactions.

--5. Agricultural products should be accommodated to market conditions during coming years. This accommodation should encourage farmers to establish new, more profitable ways of making a living. A portion of that financing that now goes for export supports should be set aside for use for such purposes, but there will be no such supports in the future. Imports of vegetables and garden products will be free of duty when domestic production fails to meet needs.

--6. More space should be allowed for private enterprise in public health services.

--7. The defense of Iceland should be guaranteed, among other things, through the construction of radar stations in the West Fjords and Northeast Iceland and other necessary measures in cooperation with NATO and the United States. Contractor enterprises should sit down with the military base authorities.

--8. The financial and administrative independence of the school system should be increased. Experiments aimed at meeting education expenses through a set fee levied on every student should continue. The school system and educational support should be deliberately adapted to employment needs, among other things through special emphasis on research, technical knowledge and development. More room should be allowed for private enterprise in the school system.

--9. Emphasis should be placed on free television operations without rights of public interference in the areas of programming or financing. The freedom of press provision of the Icelandic Constitution should be changed so that it includes an absolute freedom of expression, without reference to the form of expression. The monopoly of the Icelandic Post Office in the wide band area should be eliminated.

--10. There should be support of freer value formation with legal banning of any kind of any trust, monopoly or restraint of competition. Constitutional guarantees of freedom of employment should be respected. The rights of the individual to work at a given occupation or in his trade in a given area should be limited only by needed knowledge or security requirements.

Conservative Paper Views Results

Reykjavik MORGUNBLADID in Icelandic 16 Apr 85 p 34

[Editorial: "The Clear Intention of the Congress"]

[Text] Thorsteinn Palsson said in his keynote address to the national Independence Party congress that coalition with the Progressive Party will be determined by whether or not acts will be allowed to speak upon those bases laid down in the political statements of the congress. Now that the congress is over it is clear that there are some things in the congress statements that the Progressive Party will have a hard time agreeing to, or so it would seem. It is stated in the political resolutions of the congress that the Independence Party will continue with the reconstruction efforts that the government has been making so that the intended success will be achieved in the end. It will above all depend upon the advancement of these issues dearest to the Independence Party whether or not there will be an immediate need to lay the issues in the hands of the voters.

It cannot be denied that previous party statements in the same or similar areas have been taken as the basis for many articles of the congress statements. The overturning of the system, wherever it seems to them to set too close limits to the individual's freedom of action, is the will of congress participants. "It is the policy of the Independence Party," it says in the political statement, "to create an economic environment that allows individuals, enterprises and their associations room to grow and be masters of their own fates. Thus the most will be done for those who understand their own powers or stand in difficulty for one reason or the other, and solicitude for such persons is characteristic of the humanitarian point of view that Independence Party policy is based on."

Independence Party members rejected at their convention the leftist view that economics alone determine historical development and emphasized trusting the pillar of an independent society in Iceland, a pillar that finds its expression in the culture and history of a people, its language, art and Christianity. Independence Party members have repeatedly reiterated their support for the cooperation of democratic peoples in defense and security matters and have encouraged mutual disarmament under international control.

We have mentioned here the major issues that have made their mark upon Independence Party policy. These items of policy are vital for the Independence Party and will not be replaced by others. Those factors that pertain to the carrying out of government policy at a given time will determine whether or not the Independence Party will have a long or short coalition

with the Progressives. In this connection, party Althing delegates have not only received decisions from the party national congress in the customary form as provisions for their journey, but also a special agenda, drawn up through the intermediation of young Independence Party members and presented to the congress by 140 of them. Reported on in this agenda in brief words are fundamental changes in most areas of national life. There is no doubt that these young party members who presented the agenda will work to see that this agenda is no less adhered to than other decisions of the national party congress. MORGUNBLADID publishes today the political statement of the congress and the agenda and will report later on other congress decisions. We will not be discussing matters of such scope again.

The will of the congress was not only clear when it made decisions about issues, but also when the congress voted and chose for itself leadership: the party chairman, deputy chairman and central committee.

Thorsteinn Palsson, Independence Party chairman, came off very well with the decisive expression of trust that he received at the congress in the support of almost 94 percent of congress delegates in an open election. The same thing can be said about Fridrik Sophusson, deputy chairman, who received 78 percent of the vote. Mayor David Oddsson, was shown great trust in the central committee elections and came out highest with approximately 90 percent of the vote.

The Independence Party has emerged powerful from its national convention. To be sure, it was not possible at the congress to resolve all differences with regard to all sensitive issues such as, for example, equalization of voting rights without regard to residence. There is need for the Althing delegation and central party committee to take up the electoral district issue again. Those living in densely populated areas continually suffer from the injustice. But it is only a sign of the extent of the Independence Party that if we have been unable to achieve agreement within it on changes in the direction of fairness in this area we have the hope that such agreement will be achieved elsewhere.

Prime Minister Hermannsson Comments

Reykjavik MORGUNBLADID in Icelandic 16 Apr 85 p 2

[Interview with Icelandic Prime Minister Steingrímur Hermannsson: "I Regret that Such an Attack has Been Made on the Cooperative Movement"]

[Text] "I can accept some of the things that emerge in these decisions but in other areas we know that there is no cooperation between the parties," said Prime Minister Steingrímur in an interview with a MORGUNBLADID reporter when he was asked his views on the latest results of the Independence Party national congress.

The prime minister said that, to be sure, it is frequently so, in the case of coalition between two parties, that they do not get everything they want,

and said that he felt that the Independence Party did not believe that it will obtain everything called for in its party congress resolutions. "I therefore see nothing in the congress decisions that will create increased problems for the coalition."

Asked about what he considered best in the decisions of the congress, Prime Minister Hermannsson said: "I am happy about how much emphasis the Independence Party has laid on obtaining the cooperation of employers and wage earners in economic and wage matters. The parties have supported free agreements and the Independence Party has perhaps been still firmer than we Progressives in this. I think it characteristic that in the situation that now faces us the government must take a real part in the agreements. I likewise support the congress statement to the effect that the Independence Party should support a reconstruction of economic life and I am also happy about that. To be sure, I regret that there is no mention of the Development Society."

The prime minister said likewise that he was in agreement with what emerged in the congress resolution on agricultural issues. The Icelandic Minister of Agriculture has now shown to the Althing delegation a draft of changes in the Production Council Laws. The draft makes special provision for making export supports needless after a certain adjustment period. He said that in light of this it is vitally important that the parties become actively involved in the agricultural proposal.

Hermannsson was asked what he did not like about congress resolutions: "I am somewhat astonished that such great emphasis was laid on private enterprise. We Progressives have always felt that various forms of enterprise can be expounded in the nation. We have supported cooperative enterprise, private enterprise and, in exceptional cases, state enterprise. I regret that such an attack has been made on the cooperative movement. I do not know if the economic patronage of the Progressive Party for the Cooperative Association is as great as Palsson made it out to be. We should perhaps begin a harder struggle for the cooperative point of view since it is, in my view, one of the best ideas that the Icelandic people has had for decades."

Hermannsson said also that the Progressive Party felt there need be at least one large state bank to satisfy various needs for financial resources, for example, the needs of livelihoods that the state should make efforts to see develop.

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POLITICAL

NETHERLANDS

ANTIMILITARIST GROUP PUBLISHES COUNTERINTELLIGENCE DOCUMENTS

Rotterdam NRC HANDELSBLAD in Dutch 11 Apr 85 p 16

[Report by Hubert Smeets: "The Spy Spied Upon: Onkruit's Files on the Actions and Conduct of Dutch Counterintelligence"]

[Text] On 19 November 1984 the antimilitarist action group Onkruit [double entendre: Anti-gunpowder and Imperishable] gained entry into the Knoop Barracks in Utrecht. There, documents were removed from the offices of the Counterintelligence Detachment (CID) which provide insight into the modus operandi of the CID. The findings are published in the "CID Dossier," part three of which came out this week. It deals with public figures, basic methods and indicator lists. Watch out for the Red Resistance Front and for stamp dealers.

It is not only notable communists, pacifists, radical leftist soldiers and other peace activists who can rejoice in the attention of the Dutch counterintelligence. Also the high military and defense officials are no longer trusted merely because of their blue eyes. At the Counterintelligence Detachment (CID), a separate detective team, the Offensive Counterintelligence Team (OCI), is permanently occupied with plotting out the actions and conduct of generals and heads of special government branches. Of course not everyone is automatically a subject of investigation. The CID is only interested in "public figures who have a great deal of authority, a high function and/or a high rank, but who are still somewhat objectionable in the opinion or feeling of CID personnel. These figures must be 'saved' at the team level. They can be nominated for a VPO (=extended personal investigation), to be carried out by an OCI team." At least, that is the way it was in March 1981, the month in which Captain Van Gorp of the Zuid Holland CID was able to taste the joy of a promotion to this special security section.

As an offensive counterspy, Van Gorp thus received a number of interesting commodities, such as for example a "phantom license number" for his car.

The CID member obviously is not allowed to "abuse" this more or less false license plate which he can attach to his car with the accompanying nuts and bolts in case he has to "observe." If he is unexpectedly involved in a

traffic citation, he has to "instantly comply with requirements," since "all requests for information on your phantom registration number (also from the police) will first be submitted to the head of the security section by the State Traffic Service," according to minutes of 11 January and 23 February last year.

Normally similar reports of CID meetings are "confidential" and "personal." However, this week the antimilitarist action group Onkruid boldly published them in part three of its "CID Dossier."

These publications are the result of a burglary committed last November by Onkruid activists in the offices of the CID in the Knoop barracks in Utrecht. They got hold of a very varied range of documents: minutes, notes, reports and order forms. Even though the CID prefers to work without publicity, the counterintelligence recognizes its unavoidable bureaucracy.

Thanks to this bureaucracy, Onkruid is able to throw some light on the CID with its dossiers, and soon the historian will have access to fascinating source material.

The offensive methods of the CID are not limited to false license plates. If an agent must have access to all the information he thinks he needs, he must be able to gain entry anywhere. The little "lock picking set," a key system which renders almost any lock superfluous, helps him to do so. The firm Burgman-Heybroek in Utrecht and Bilthoven supplies the sets circuitously to the CID. Devious ways are necessary because the detachment cannot, of course, buy the miracle keys in its own name, and the ordinary citizen can't get them either just like that.

The eavesdropping techniques which the CID can utilize are also advanced. It can be done, very simply, through a wire in the wall. However, it can also be done with the aid of directional microphones, which may or may not be parabolic, or resonance may be utilized, or re-radiation systems." The CID agents are regularly being trained in that. The instruction is illustrated with drawings.

On the other hand, the counterspies are also able to ingeniously detect listening devices in their own ranks. That is called "sweeping" in their jargon.

In order to recognize potential suspects, it is of importance that CID members make good photographs without being observed. They learn that as well in special courses.

Humiliation Method

What does one do about a suspect or witness who can throw light on the possible undermining of national security? The CID not only is supposed to detect such danger, but the detachment must also intervene in time. The "basic methods" for a hearing offer some insight. Onkruid has published them in the most recent issue of the CID dossier.

In Utrecht, seven basic methods are differentiated, namely: "a. the friendly method; b. the threat and rescue method (the 'nice' interrogator and the 'bully'); c. the shock and surprise method (show that you indeed know 'everything'); d. the you-are-a-spy method (not having the proper identification under the Geneva Convention or an identity card); e. the humiliation method (playing off the possible wrong behavior of the prisoner to a colleague, openly belittling and ridiculing physical and/or mental deviations, abusing origin, environment, race or faith); f. the non-interrogator method (by means of putting a fellow prisoner who committed treason, a compatriot-traitor, in isolation with the prisoner); g. the electronic method (eavesdropping, hidden microphones, working with falsified sound tapes)."

Not everyone is eligible for a post with the security section of the CID. Only the most dependable of the dependables are in the offensive team. And even the elite of the CID have to watch their steps. "When a new situation arises, such as marriage, divorce or a change in function or a transfer, the old authorization expires and a new investigation is made," as is stated in the confidential report of a meeting on 19 December in 's Gravezande, stolen by Onkruid in the Knoop barracks.

Deceptive

However, it is not only high functionaries who are targeted by the CID in case of questionable loyalty. Also trade with Eastern Europe, the so-called "I.C. countries" (iron curtain countries), involves great risks in the eyes of the counterspies. Especially joint ventures with companies from I.C. countries are distrusted by the CID because the innocent economic and commercial motives in those are not truly decisive. "The political and strategic interest of the East bloc prevails," according to the warning in a confidential note on joint ventures.

Companies such as East West Agencies, Technical and Optical Equipment in The Hague (a combined Dutch and Soviet enterprise), Orwen Photo (German Democratic Republic), Polish Shopping Agencies, the ready-made clothing firm Necho (Hungary) and other joint ventures are offering "enemy intelligence services additional opportunities for information and other subversive activities." The report concludes with: "Joint ventures therefore constitute an increasing danger for national security."

Soldiers and officials of defense who go on vacation in an I.C. country can also count on the interest of the CID, be it somewhat two-faced. They get a form in which they are urged not to let themselves be pumped--"The climate of political detente has deceptive aspects"--and simultaneously they are asked to keep their eyes open.

CID agents don't harbor a suspicion so readily; they do that on the basis of clear criteria from their "indicator list." The standards applied by the CID cover many areas. Professions are one criterion. Stamp collectors, businessmen with contacts in I.C. countries, shareholders or owners of small firms or one-man operations, and applicants for lowly paid, but for espionage interesting, posts belong to this category.

Political belief is another handle. In this regard the CID targets not only CPN [Communist Party of the Netherlands] members and Soviet sympathizers. People who during the occupation were active in communist resistance organizations or who left the CPN for opportunistic reasons are also on the list. Former members of the NSB [National Socialist Movement] and the SS are on it, as well as "anti-Nazi inclined persons."

In this colorful listing, the details of daily living have not been forgotten. Repeated moving, "generally conspiratorial behavior," showing a unexplained preoccupation with security, homosexual relations, sexual extravagances, a miniature camera or the regular "burning of papers in a stove, pail or furnace" are all facets which might turn a person into a suspect.

Thanks to all these techniques and agents the CID in Utrecht has been able to form a picture of enemy infiltrations both in the army, which the CID sees as its primary area of operation, and in civilian society.

The detachment would not be an official service if it had not plotted everything out very neatly. On the "infiltration/influencing diagram" found by Onkruit in the office of the commander, the most divergent groups appear, such as the Red Resistance Front which sympathizes with the Red Army Faction, and the Kindervuist [child's fist] committee, Onkruit and the positively pacifist Swords into Ploughshares, the CPN and the Trotskyite Socialist Labor Party (SAP), the Dutch christian student association (which years ago was sometimes called the communist student association by some jolly skeptics) and Church and Peace.

Even the Staphorst [small rural village] community group is included.

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POLITICAL

NETHERLANDS

EDITORIAL VIEWS RESULTS OF LABOR PARTY CONGRESS

Rotterdam NRC HANDELSBLAD in Dutch 15 Apr 85 p 7

/Text/ Things can sometimes operate strangely in national politics. The PvdA /Labor Party/ holds a congress which, according to plan, projects the image of a government oriented, "realistic" social democratic party. The subject for discussion was previously even labeled as sober: social-economic dilemmas. Room was allowed for informal meetings about related subjects to which expert outsiders and also those with different ideas have been invited. The party chairman appears to be a realistic leader. Those who consider that as a false pretense on his part are certainly a minority in the PvdA. Forty percent have offered a new watchword in the opinion polls. No more, do you want to reach a consensus quickly, congress delegate? but: do you want to speak somewhat softer, congress delegate? Even opposition leader Den Uyl appeared, metaphorically speaking, to want to abide by that watchword somewhat in his closing speech.

Nevertheless, the PvdA Congress appears to have unintentionally been a factor in the unanimity of the two government parties. CDA /Christian Democratic Appeal/ and VVD /Peoples Party for Freedom and Democracy/ reacted promptly, unanimously rejecting several congress declarations which could serve this purpose. Prime Minister Lubbers adds to that, if necessary, his own opinion from South Korea. They offer points of contact against the sense of the purchasing power guarantee for the social minimums expressed by the PvdA executive committee and Den Uyl, and precisely in case of negative economic growth and the dependable categorical rejection of the possible stationing of cruise missiles in the Netherlands. The cabinet policy must be continued and will be the stake of the elections, if the PvdA wants to, it can support that policy was the tenor of the reactions. The PvdA will remember its own ideas of this type from a not so distant past.

As regards the purchasing power guarantee for the minimums it was very striking that Den Uyl meanwhile announced that he did

not know if such a thing would survive cabinet formation negotiations. That sounded like a disguised call for a coming congress or candidate coalition partners to immediately correct this undesired declaration. Moreover, it was also noticeable that criticism was heard of party chairman Van den Berg's announcement that besides the higher incomes also the average incomes must make sacrifices for protecting the purchasing power of the minimums, not only from the government parties, but also from the trade union movement. The concern at the 3 day PvdA Congress about the reliability of support in polls was curious but not incomprehensible. The declared realistic intentions obviously had something to do with that.

It continually becomes clearer, again at the latest PvdA Congress, that a future decision about the stationing of cruise missiles next year can become the greatest material barrier in the PvdA's way to resuming the responsibility of government. Regarding that, three CDA members submitted a cabinet resolution on 1 June 1984, which had to be acted on by 1 November. Moscow decides on that action by the scope of its SS-20 program. If the government decides on 1 November to station 48 cruise missiles (in 1988) and has obtained parliamentary approval for an American-Dutch agreement based on that before the election of May 1986, the coalition chances of the PvdA, in spite of all the realism shown otherwise, are very drastically reduced at the same time. The fact that the VVD was really more satisfied about the 1 June decision at the time for coalition political reasons than for security policy becomes continually easier to understand. The umpteenth assurance of PvdA chairman Van den Berg that "the missiles" will not come in if the PvdA is in the government threatens, by these means, to be understood as an assurance that the PvdA will not be in the government if it is decided to station cruise missiles regulated by treaty. For tearing up just concluded international agreements is not one of the country's customs. Prime Minister Lubbers straightened that out from Korea.

So viewed, it would be just as practical as well as genuinely realistic if the PvdA would manage to make subtle distinctions in its absolute national rejection in this question which is international by definition. That would be painful in the opinion polls, but it would paradoxically enough improve the government's chances considerably at the same time. Former minister Van der Stoep once called the PvdA's rejection of the cruise missile an article of belief, about which discussion in his party, in fact, was no longer possible. It is to be feared that he will maintain his peevish right.

POLITICAL

PORTUGAL

PSD LEADERSHIP SEEN ENCOUNTERING DIFFICULTIES

Lisbon O DIABO in Portuguese 9 Apr 85 p 4

[Excerpts] While the press again published an opinion survey putting the PSD [Social Democratic Party] in a rather modest fourth place, the official organ of the social democrats, POVO LIVRE, was creating a scandal and causing much confusion: It disclosed the number of party militants, broken down by districts and councils. In the meantime it has been announced that Mota Pinto is ready to take on the next congress of the PSD and to bring about the logical retreat of the so-called "Lisbon Group." All this is against the background of the presidential elections. As evidence we have the confirmation of the prophecy: The Ides of March are decisive and turbulent.

The last edition of POVO LIVRE disclosed the number of PSD members, district by district, council by council. This hit the social-democratic host like a bombshell and it became another bone of contention in its discord. The disclosure placed the party in a difficult position. On the one hand, for the first time in the political history of the time after the 25th, a party force revealed itself, which places it in a position of inferiority with respect to the others. On the basis of this publication, the PSD asserts itself as the party of 63,000 militants, in other words: It downgraded itself for the negotiations with the other table companions and in the correlation of forces since the other parties can continue to profit from the image which they enjoy among public opinion.

Besides the confession of the PSD coincided with another disclosure: The disclosure of the results of a public opinion survey which put the social democrats in fourth place, after the APU [United People's Alliance], the CDS [Social Democratic Center Party], and the PS [Socialist Party]. As a result of that, the PSD cannot even claim that its clout is measured not by the number of members but by the voting intentions which it produces. At this time, that intention is worth only 18.4 percent.

The odd thing is that the CDS leadership has known the results of this survey already for 10 days (although not with the figures just announced), these being the same that were reported during the last meeting of its political commission. It is furthermore strange that the public opinion survey was published in a weekly known for its social democratic "sensitivities."

The survey and the map showing the places where the PSD has its hold place its party leadership in a rather bad light. And the first victims have already emerged: The removal of Cordeiro Pereira, the chief editor of POVO LIVRE, who confirmed that the PSD leaders were aware of the meaning and consequences of this publication. But it so happened that the officials in charge did not admit that they were responsible--since it is obvious that the insertion of the map could not have been the result of an initiative by that chief editor. It served to explain the distribution of delegates to the next congress, in May, at Figueira da Foz; it comes from the secretariat-general where Antunes da Silva is installed and where Antonio Capucho, the real guardian of the entire machinery, actually runs the show. By the way, Cordeiro Pereira is a "faithful follower" of Capucho; the investigation which has now been ordered--if it is carried through to the end--will certainly indicate the relative "innocence" of the former chief editor.

The followers of Mota Pinto have already called for the resignation of Machete, Capucho, and Antunes da Silva.

The Cascais-Lisbon Axis

But the map showing the party's positions in the country reveals other facts that have irritated the rank and file: The criterion used in the allocation of delegates to the congress benefits the Lisbon-Cascais axis to the detriment of the provinces. Here is an example: The council of Coimbra has more members than the council of Cascais (999 as against 880) but Cascais has more delegates than Coimbra (eight as against six).

Even if this distribution were justified as a result of the Hondt method applied to the weight of the districts, with delegates then apportioned by the respective councils, the "rank and file" in general would still consider this as proof of its grounds for complaints--the overblown Lisbon group disdains and ignores the provinces, imposing a political axis that exploits the geographic location even though its weight may be very small when compared to the whole.

On the one hand, the provinces realize that the publication of the map seriously affects the preparations for the coming local elections. For example, how can the PSD propose alliances in Alentejo, in councils where it admits it only has a single member (as in the case of Portel) or just two members (Gaviao) or three members (Mora) or four members (Viana do Alentejo)? Or in Figueira de Castelo Rodrigo (five members) or Manteigas (14)?

5058

CSO: 3542/163

POLITICAL

PORTUGAL

REBELO DE SOUSA SEEN ASPIRING TO PSD LEADERSHIP

Lisbon EXPRESSO in Portuguese 5 Apr 85 p 3

[Text] In the PSD [Social Democratic Party], Marcelo Rebelo de Sousa has distinguished himself above all by his "skill in undoing things."

If we look back, we will find that Marcelo has built little but has undone much.

For the sake of convenience, let us merely look at what happened last year.

At the beginning of 1984, Mota Amaral pictured himself as the best civilian candidate of the PSD and the only one with a chance to beat Mario Soares.

So, what did Marcelo do?

Although he was a defender of a civilian candidate and a party member, Marcelo Rebelo de Sousa allied himself with Mota Pinto to defeat Mota Amaral-- at the same time presenting Alberto Joao Jardim as the ideal candidate for the PSD.

The candidacy of Mota Amaral petered out and the candidacy of Alberto Joao began to take off.

But it soon turned out that the choice of the Madeiran leader was nothing more than a false alarm.

The followers of Mota Pinto then turned to a military candidate, running a well-spoken general in the National Council of Porto.

And what did Marcelo do?

He allied himself with the Salgueiristas (whom he had helped defeat at the Braga Congress) in order to bring Mota Pinto down and to weaken the candidate whom he had picked and who appeared capable of rallying the support of the majority of the PSD, that is to say, Firmino Miguel.

It is still too early to say whether the candidacy of Firmino (which has in the meantime been reviewed) will or will not be rendered unviable between now and December.

What can already be said is that Marcelo Rebelo de Sousa invariably aims at rendering unviable all those candidacies which may spring up and which can win in the PSD.

Why?

What is Marcelo after, in the final analysis?

That is not difficult to figure out.

Regarding his immediate future, Marcelo Rebelo de Sousa does not want to appear linked to any candidate and really would like the candidates of the PSD to lose--in order then to be able to say that the party made a mistake.

By not supporting any candidate, by weakening those who came out and by criticizing the leadership's presidential election strategy, Marcelo contributed to the defeat and remained in an excellent position for saying--after the elections--that he had been right.

As for his not so immediate future, it is obvious that Marcelo Rebelo de Sousa aspires to the leadership of the PSD.

But he thinks that it is still too early to take the job on and he therefore continues to frustrate all of the solutions that could bring some stability to the PSD.

Aiming at permanent instability and constant agitation, Marcelo will try to keep the position vacant and available--until the moment he thinks that the time is right for him to take the job.

5058

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POLITICAL

PORTUGAL

BRIEFS

JARDIM: NO U.S. BIDDING--Alberto Joao Jardim, president of the regional government of Madeira, said that Portugal "must not be the proxy for United States policies in Africa." In an interview given to AFRICA JORNAL (to which ANOP [Portuguese News Agency] also had access), Jardim said that "Portugal must pursue a policy of real national independence in Africa." The president of the government of Madeira (a region which has 280,000 of its citizens living in the South African Republic) also said, at another point in the interview, that Portugal must not allow actions on its territory that threaten the security of Angola, Mozambique, or South Africa. In explaining that he feels himself "to be an African geographically but a European historically and culturally," Jardim commented: "Madeira has picked the Portuguese option. We hope that we will never have to be sorry." Questioned about the possibility of becoming president of the republic, the social democratic politician noted that his party's machinery "prefers military men to make sure that everything stays the same." [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 9 Apr 85 p 4] 5058

CSO: 3542/163

POLITICAL

TURKEY

TURKISH-BULGARIAN RELATIONS GROW MORE TENSE

Istanbul CUMHURIYET in Turkish 6 Apr 85 pp 1, 6

[Text] Ankara (CUMHURIYET BUREAU) - The uncertainty in Turkish-Bulgarian relations is becoming a joint exercise in escalation, what with our Sofia Ambassador Omer Lutem's recent refusal to accept a protest note handed to him by Bulgarian Foreign Minister Petur Mladenov and a further outburst of serious friction between the two countries' intelligence organizations.

The Bulgarian foreign minister summoned Turkish Ambassador Lutem to his office and handed him a note of protest, of reportedly rather stern contents, as a result of Prime Minister Turugt Ozal's comments in Washington about not giving up on the Bulgarian matter and thus bringing the problem of the Bulgarian Turks to the agenda internationally. The Turkish ambassador refused to accept the protest note, the Foreign Ministry has confirmed.

While the Bulgarian note was being rejected in Sofia, an incident occurred in Istanbul that brought the two countries' intelligence organizations into confrontation. The incident began when the Bulgarian consul in Istanbul, Pavel Pavlov, called a by-invitation-only press conference to which Turkish reporters were not invited and presented to the press a Bulgarian citizen named Ali Mehmetov Yusufov. Yusufov claimed at the conference that he had been kidnapped and forced to come to Turkey by Turkish operatives to describe the oppression of Turks in Bulgaria.

The investigation conducted later by Turkish authorities revealed that Yusufov had come to Turkey of his own volition and requested political asylum, but had sought refuge at the Bulgarian Consulate when the intelligence agents who questioned him at the refugee camp in Istanbul where he was staying found his statements conflicting and unreliable. Believing both his situation and the documents he carried to be false, Turkish authorities evaluated the matter as Yusufov's having been sent to Turkey for a special job by Bulgarian intelligence. For the Bulgarian consul-general to call a press conference publically accusing Turkey is described as "in poor taste" as regards diplomatic practice.

8349

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POLITICAL

TURKEY

BULGARIZATION OF TURKISH VILLAGES DESCRIBED

Istanbul TERCUMAN in Turkish 7 Apr 85 p 2

[Article by Balkan Turks Cultural and Solidarity Association President Mehmet Caus: "I Come from the Bulgarized Turkish Village of Turnavasi: Tanks Passed Through This Village"]

[Text] Tanks, artillery, aircraft, helicopters, troops... It makes one think of war, of death. What first comes to mind somehow is scenes of troops deployed to advantageous positions, ready to shed blood, to burn and destroy, to kill or be killed, machine guns, human misery. The shining hopes built up over the years, aspirations fresh and pure as a mother's love, the well-being that inspires physical and moral strength, all suddenly and without warning turned to ruin. People brutalized and children torn screaming from their father's hearth, the arms of their mother, leave you scarred and brutalized yourself.

This is what happened to my village and my fellow villagers most recently on 22 and 23 January of this year. Army and police units had surrounded Gerlova Village at noon. Like scorpions, the oppressive silence and fear of death that had stalked the streets for weeks now had a strangle-hold on my villagers. The police and army divisions, moving through Turkish villages like an incurable disease, arrived with their modern weapons and trained dogs at the village where I was born and grew up. It was not that killing, bloodshed and beatings gnawed at the vitals of my villagers, but that an atrocity in the name of something called "socialism" stalked them and sowed its poison for no reason.

We Will Die, But We Will Die as Turks

The purpose was known. My villagers, at whatever cost, were to be Bulgarized, Slavicized, and deprived of their names just as they have been of their religion and their language. At such a moment, the thoughts of every man and woman, young or old, are riveted on one point: Holy death! They will die, but they will never allow their names and their Turkishness to be desecrated, they will not permit their daughters and brides to be dishonored, with their fists and their convictions they will not permit their rights to be trampled, they will defend their rights with their fists and their convictions. But they could not...

These were cold winter days, and the current was cut off as soon as it began to get dark. As helicopters in the air, tanks and other motorized vehicles on the ground and the sounds of artillery and gunfire reenacted a scene worse than World

War II, voices could be heard in the dark, the whimpering of wide-eyed children too young to know the meaning of war and the wailing of frightened mothers and grandmothers:

Mother!

"Mother, are the enemies coming? Mother, will they kill us?"

Yes, the entire village was abandoned to death. A war was being fought to kill the Turkish culture. And the people who were doing this were not fascists or Nazis, they were not Zionists or bandits from the Middle Ages, they were Bulgarian communists thirsting for Turkish blood. My villagers, like others, known for their compassion and sincerity, for their hospitality and cheerfulness, were to lose in one night the "Turkishness" that they had preserved and deigned sacred as a cultural resource for nine centuries. Never! Their one consolation was the blood that ran in their veins, the ties to their forebears and their faith that no missile could destroy.

Those Who Fell Before Bullets

But they could not succeed. A few took the risk and were shot down without mercy. More than 40 were blindfolded and taken away. Those who resisted had their homes set on fire. The blood of my villagers mingled with the waters of the nameless river. My villagers who had preserved their Turkish culture for nine centuries were Bulgarized, Slavized in one night. Mehmet has become "Mitko," Huseyin is "Hristo," Emine is "Emiliya," Fehim is "Feodor," Gulizar is "Gulka."

Can you recognize this village? The name of my village is "Turnaovasi." It is in northeastern Bulgaria on the broad and totally Turkish north shore of the Gerlova, 25 kilometers east of Eskicuma (Turgovishte). Turkish has long echoed between its two slopes, shaped like a horse shoe, at the foot of Little Istanbul (Preslav) Mountain. It was settled at the time of the Roman Empire, long before the Ottomans, and, because it was a plain in the hollow and because cranes inhabited it, our ancestors named their new village "Turnaovasi" [Plain of the Storks]. It is the largest Turkish village in Eskicuma Province.

A Grave Stone

A grave stone was found just a few years ago at an old cemetery (the cemetery at the foot of the mountain road) bearing the name "Kureysoglu Mustafa" and the year 1436. The Ottomans conquered Bulgaria in 1396, so the grave stone was put up 40 years after that. The grave stone itself was buried and, since it was in the middle of the cemetery, there was a question of whether even earlier stones could be found. After all, this stone, erected in memory of "Kureysoglu Mustafa" [Kureys is same as Quraysh, the Prophet Mohammed's tribe], indicated that Islam had spread here much earlier.

History tells us that the first inhabitants of this area were the Gacals¹ or Chitaks² [names as published] who came from the north and settled in Bulgaria much earlier than the Ottomans. That they came from Central Asia and gave up shamanism for the worship of the God of Heaven³, that they continued to spread Islam in the

Deliorman and Gerlova regions, and that the Konya and Corlu nomads⁴ settled down with their religion and language in this area during Ottoman times are all historical facts. Based on these data, the Turnaovasi Turks have an 850-year history on these lands. The exploration at the village's old graveyard also confirmed this fact. Only a few grave stones remain now from past centuries and they are all from 1436, 1442, 1445 and 1464.

FOOTNOTES

1. A. Burmov et al, "History of Bulgaria," in Bulgarian, Vol 1, Sofia, 1961; "Turk Ansiklopedisi," Vol 17, pp 104-105; T. Kowalski, "Dobruca'da Turk Etnik Unsurlar," Ankara, 1942; "Les Turc et la langue Turque de la Bulgarie du Nord-Est," Krakow, 1933; N.A. Baskakov, "Vvedenie v izucenie Turskih Yazikov," in Russian, 1962, pp 219-221.
2. "Turk Ansiklopedisi," Vol 11, pp 494-494; T. Kowalski, same works.
3. Professor Dr I. Kafesoglu, "Eski Turk Dini," Ankara, 1980, pp 42-67.
4. Ciro Truhelka, "Uber die 'Balka Yuruken' Revue internationale des etudes Balkanique," Belgrade, 1934, p 93; Marsigli, "L'Etat militaire de l'Empire Ottoman," Amsterdam, 1732; Professor Gokbilgin, M. Tayyib, "Rumeli'de Yorukler, Tatarler ve ...," Istanbul 1957.

PHOTO CAPTIONS

1. Kornica Village is one of the Turkish villages openly targeted by the Bulgarians. Turks who would not agree to Bulgarization in June 1972 were slain by the hundreds. Kornica has now been completely wiped off the map.
2. Since the "Pomak [early Bulgarian converts to Islam] Turks" of Rhodope "accepted Bulgarization" willingly, where is the 8th infantry division in Despoto taking these "Pomak Turkish women"? Yes, where? --To the "Belen Concentration Camp."

8349

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POLITICAL

TURKEY

BARLAS ON GREECE AS ACTOR IN TURKISH-BULGARIAN TENSION

Istanbul MILLIYET in Turkish 30 Mar 85 p 1

[Editorial by Mehmet Barlas: "Balkan Socialists"]

[Text] It would be a mistake to think of Bulgaria's policy of oppression of Bulgarian citizens of Turkish origin and Muslims as a problem for the Turkish Republic and the Turks alone.

It is a problem that must be of concern also to Greek Prime Minister Andreas Papandreou, for example, with his reputation as a socialist and humanist. Papandreou is said to want the Balkans rid of nuclear arms and bloc politics and considers Bulgarian leader Zhivkov as his closest ally in these undertakings. As such, he must not be silent in the face of the oppression of ethnic communities in the Balkans. Nuclear arms are a threat to humanity, but none has yet exploded. However, another act that affects humanity is being carried out at this moment in the Balkans by the Bulgarian government.

Moreover, it is not just Turks and Muslims that are the target of this act.

According to reports from the Yugoslav agency "TANJUG," Macedonians in Bulgaria are the object of similar actions.

According to the 1946 census, the number of Macedonians who were Bulgarian citizens was 205,000. The figure dropped to 185,000 in the 1956 census and to 7,800 in the 1965 census. That is, according to Bulgarian figures, the Macedonians have disappeared in 20 years' time.

The same situation is now at issue for Turkish and Muslim Bulgarian citizens.

The Bulgarian authorities have stepped up their efforts now because of the census due to be taken on 4 December of this year and, to confirm the principle of a "United Socialist Bulgaria," have emphasized the forcing of Turkish and Muslim Bulgarian citizens to change their names. An attempt is being made in Bulgaria to alter before the fact the results of the 4 December census, as if it were election results.

Perhaps it is not important to Papandreou that Bulgarian Turks and Muslims are under pressure and being forced to alter their names. Indeed, as a Pan-Hellenic advocate, perhaps he too would do everything he could to make the [Turkish] "Kani's" in Western Thrace into [Greek] "Yani's."

But how does Pan-Hellenism stand vis-a-vis Pan-Slavism? Where have the disappearing Macedonians gone, one wonders?

One thing we know... Papandreou is bringing back to the country the Greek communists who fled after the Greek civil war in 1945-1950 and settled in the Eastern Bloc. Most recently in this regard, a social security agreement was signed between Athens and Sofia last week. According to the announcement by Greek Social Insurance Minister Kaklamanski [as published], Sofia will pay the social insurance deductions in advance for political refugees returning to Greece from Bulgaria.

So, the only human community of importance to Papandreou and the Sofia administration and whose rights need to be guaranteed is this little handful of old former warriors. The assimilation of millions of Turks and hundreds of thousands of Macedonians is not worth their concern.

It is necessary from time to time to remind certain politicians who call themselves "socialist" of how they differ from "national socialists."

8349

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POLITICAL

TURKEY

FOREIGN MINISTRY INDIGNANT OVER PRESS LEAK ON HUMAN RIGHTS

Istanbul MILLI GAZETE in Turkish 20 Mar 85 p 5

[Text] Reacting to the leaking of the European Human Rights Commission report on Turkey, Foreign Ministry demanded that those responsible be found and punished.

In the statement by the Ministry it is pointed out that the leaked document was first thought to have been the 'observation report' later proving to be the actual report itself. Thus the matter becomes even graver the Ministry statement notes, adding that "we demand that the commission deals with this issue in an energetic fashion, quickly identifying those responsible, exposing and punishing them."

It would be very difficult to undo the harm already done to Turkey as a result of the leak according to the Ministry statement which says:

Whatever happens it would be difficult to repair the harm done to our country as a result of this leak. Thus it might be necessary to review the policy of well-intentioned co-operation that has guided Turkey's relations with the Commission so far. We expect the Commission to conduct the necessary investigation and identify those responsible. Unless this issue is resolved conclusively it may be appreciated that Turkey, which has been co-operating with the European Human Rights Commission (EHRC) in a well-intentioned and constructive way until now, may not continue to show the same kind of attitude and that it will adjust its attitude in view of how the investigation is concluded.

It should be recognized unequivocally that despite the efforts of those who wish to misuse the various organs of the European Council and the EHRC with a view to disparage Turkey in line with their own intentions, the Turkish nation will employ all available means to sustain the democratic parliamentary regime to which it has a heartfelt commitment and to reinforce the democratic system in the country.

Formerly, when five West European nations had filed a complaint about Turkey to the EHRC, the Commission had found their application to be 'acceptable' thus initiating the process of investigation. Within this context, a delegation of five from the EHRC had made investigations in Istanbul, Ankara and Diyarbakir between 27 Jan - 2 Feb with a view to "see the developments in Turkey at their locale and to find an amicable solution". The report prepared by the Commission was then released by a foreign news agency. In the report complaints were made about Turkey by France, Denmark, Sweden, Norway and Holland.

12466

CSO: 3554/112

POLITICAL

TURKEY

SAUDI ARABIA TO INCREASE INTAKE OF TURKISH WORKERS

Istanbul MILLI GAZETE in Turkish 20 Mar 85 p 6

[Text] Prime Minister Turgut Ozal who is on an official visit to Saudi Arabia said in a press conference held in Riyadh that "the officials of the Saudi Arabian administration, His Majesty included, have expressed their close interest in Turkey's problems, and that they are prepared to offer every kind of support in case we run into any trouble."

During the press conference held at the guest residence where the Turkish delegation has been staying Ozal gave information about the official meetings which he labeled as "brotherly and sincere." Ozal spoke as follows during the news conference:

"Since we arrived here, we had extremely close, brotherly and lengthy discussions with the Saudi officials. We had a lengthy, one-to-one meeting with Prince Abdullah at his residence in the evening of our arrival. We discussed the Iran-Iraq war which concerns the region, and the Turkish-Saudi relations very openly, in a close and sincere manner.

The next day our foreign minister met with his Saudi counterpart Prince Saud al-Faisal, and our defence minister met with the deputy prime minister and defence minister of Saudi Arabia.

Today our Minister of Public Works and Housing will meet with his Saudi counterpart. Yesterday they flew us with special plane to a place near the Kuwaiti border to meet with His Majesty. There we had lunch together as well as having 3½ - 4 hours of discussions before and during the meal. I can describe these discussions as very sincere, and between two very close people who had known each other for many years.

I can openly state that since the visit of our president to Saudi Arabia it is possible to observe an improvement in relations far beyond expectations. These improvements are to be seen in most of the important issue-areas, and are already occurring. The number of our workers coming to Saudi Arabia in recent months is over 4 thousand. According to official statistics we have 85 thousand workers in Saudi Arabia at present. With their families the number goes up to 153 thousand.

Saudi Arabia indicates special preference for Turkish workers. We have worked out the arrangement further, and enabled a greater number of workers to come here.

There is a significant increase in the number of tourists visiting Turkey. The numbers have gone up from 80-90 thousand to 300 thousand. There will be a big increase this year. According to the surveys conducted among businessmen there is a great deal of interest in Turkey. We have liberalized the buying and selling of property in Turkey. It is not very likely that we will be buying buildings in Saudi Arabia. We have liberalized unilaterally in this area, without reciprocity. Important developments are already in evidence. Our heartfelt wish is that no negative publicity arises in Turkey in relation to this issue so that our friends would be able to come. Accommodation is our most important problem in tourism. Last year's touristic influx has revealed how big the shortage is in this area.

Another important subject is the government-to-government relations such as projects concerning slum areas, bridge over the Bosphorus and others. These are financed by the Saudi Fund. In connection with this \$200 million of credit has been extended by SAMA to our Central Bank to which about \$50 million has been added. Our relations should not be viewed within the narrow confines of credits and loans. But I can say this. From His Majesty downwards officials of the Saudi administration have expressed their close interest in Turkey's problems, offering to give all kinds of support in case we run into trouble.

There are also significant developments in other fields, investment co-operation in particular. The preliminary stages of founding a Saudi-Turkish Joint Investment Corporation are being completed. But even then the Saudi businessmen have jumped the gun and started making investments in Turkey directly. There are certain instances of this. I hope that in the coming years after the Iran-Iraq war is ended, the resources currently going into the war effort will be diverted into the growth and development of the region.

Considering the natural resources and manpower of the region I believe a significant economic entity can be brought into existence. Naturally this is bound to take some time. Saudi Arabia, the Gulf states, and Turkey will be constituting the main elements of this entity. I expect to see this spreading out to the whole region in time."

Questions-Answers

Following his statement Ozal responded to questions by the press. In an answer to a question, Ozal told the reporters that he and his ministers have given Saudi officials information about the Bulgarian oppression of the Turks, adding that "Saudi Arabia is with us in this issue."

Stating that no specific situation exists between the two countries with regard to co-operation in defence industries, Ozal noted: "But I think areas of possible co-operation are becoming evident."

Ozal also announced in response to a question that they have brought certain social projects to Saudi Arabia. He said:

The problem of health organisations is under discussion. What is being discussed is the establishment of installations at certain locations which would address the health needs of the Middle East.

Answering a question on trade with Saudi Arabia, Ozal said:

Quality standards in this country is very high. Products seeking a market here should better be of high quality. This is an open market. Goods flow from all parts of the world. They have large resources. What I can never tell them is that they should be 'buying only from us and not from others'. This will not be compatible with our policies either. We cannot force anyone in this regard.

Offering advice to exporters Ozal mentioned the following:

Our exports are getting better every day. I believe Turkey will go much further in future years. There is the question of transportation. Our freight transportation is largely done through TIR. A number of refrigerated trucks have joined the fleet. I expect these problems to be resolved in time. We will get better at transporting goods. Though our trade with Iran is around \$1 billion, considering that the Saudi population is 12 million our exports here are not negligible, in fact the per capita figure is higher.

Ozal also pointed out that although the Saudis decided to cut their budget he was given assurances that this will not affect Turkey. "The chances for our contractors will be increasing", Ozal said.

A reporter commented that King Fahd had received Ozal "more like a king than a prime minister." How did Ozal see this? Ozal's answer : "I see it as a very good friendship."

12466

CSO: 3554/112

POLITICAL

TURKEY

OZAL IN SAUDI ARABIA

Istanbul CUMHURIYET in Turkish 20 Mar 85 p 1

[Text] The visit by the Turkish delegation of 86 headed by Prime Minister Turgut Ozal will produce its first results on Saturday when a \$50 million credit agreement will be signed, and a \$60 million fund will be established for a slum improvement project. Ozal and four of his ministers have performed the ritual walk around the Kaaba yesterday. Ozal had performed the ritual previously.

Yesterday morning Ozal flew from Riyadh to Jubail, a town on the shores of Basra Bay. Ozal was seen off in Riyadh by the First Deputy Prime Minister and the Commander of the National Guard Crown Prince Abdullah with an official ceremony. He was met in Jubail by the governor Prince Ahmad al-Masfer.

The Jubail industrial township is the seat of the world's largest iron-steel complex. Plans are under way for town's population to rise to 370,000 in the next 15 years. There is an ongoing large project to reduce the effects of the tide, to regain soil from the sea, and to deepen the sea in order to build a port. The sandy water sucked in by pipes from the sea is then poured over the ground leaving the sand residue which is then spread out and squeezed tight. The water is then poured back into the sea. Thus the coastline goes higher and the water gets deeper. All the planning and consultancy work in the town is undertaken by the famed US firm Bechtel. The firm's name has been known due to two ministers in President Reagan's cabinet. The US Secretary of State George Schultz and Secretary of Defence Caspar Weinberger held executive jobs with this firm before joining the cabinet.

During the meetings it was decided that the Saudi-American Bank (SAMA) would open a branch in Turkey. Among the projects presented to the Saudis are medical schools at universities such as Antalya, Akdeniz and Izmir 9 September, as well as 10 high schools in Anatolia. The Saudi officials who examined the five projects that were presented some time ago are going to make decisions concerning these projects. The \$50 million credit agreement will be signed on Saturday. A new delegation will be arriving to discuss the terms of the \$60 million credit for slum improvement.

Following the state dinner in Jubail Ozal and his entourage flew to Jedda to be met by Prince Majid, governor of Jedda and a brother of King Fahd. Resting for a while at the guest mansion, Ozal and his entourage were driven to Mecca 76 kilometres away where they performed the ritual walk at the Kaaba.

After the talks are completed today Ozal and his entourage will be returning to Turkey tomorrow.

During his speech at the dinner given by the Turkish ambassador in Riyadh, Ozal touched upon the following issues:

- Turkish reputation is high not only here but in the West, China and Japan.
- Our inflation is not so bad after all. Brazil has an inflation rate of 200 percent, and Argentina 700 percent. We are doing quite well.
- Our friends should buy land and property in Turkey. We did not insist on reciprocity. Who amongst us would want to come here and buy land? If a person has a house somewhere he would go there more often. Are they putting the land into their pockets and taking it away? The land just stands there. The thing is to make them develop the habit of going to Turkey.
- Technology is developed by those with a spirit of adventure and those who are prepared to take risks.
- If people feel themselves unduly secure, if there is too much social security there would not be any incentive to work. It is for this reason that Europe has fallen behind America.

12466

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POLITICAL

TURKEY

MEHMET YAZAR RESIGNS FROM UNION OF CHAMBERS, JOINS CWP

Istanbul TERCUMAN in Turkish 6 Apr 85 p 10

[Article by Ceyhan Altinyelek and Mehmet Kiracioglu: "Yazar in CWP"]

[Text] Kayseri (TERCUMAN) - Mehmet Yazar has resigned as president of the Turkish Union of Chambers to go into politics and joined the CWP [Correct Way Party] in Kayseri yesterday. As he registered at the central district organization in Kayseri, Yazar was welcomed by demonstrations of affection by the townspeople. A large crowd gathered at the building shouting "Great Chief" and "CWP for Office."

Yazar said, as he registered in Kayseri, "The banner of the believers will wave from the highest tower. No power or force is greater than the people. No cause can last without the support of the people."

Mehmet Yazar left Ankara yesterday morning at 0600 hours aboard a special Kent Tourism charter bus, dubbed the "Arabian Horse" by the press. A reporter aboard the "Arabian Horse" asked Yazar, "What are your comments on the claims that the CWP is an extension of a former party? What do you think about political rights and prohibitions?" Yazar replied, "Every political party active today under the present constitution is a legitimate party. The CWP is also active under these principles."

Yazar remarked in this connection that ANAP [Motherland Party] had serious troubles with advocates of different views in the party. He said:

"If the administration persists in this self-defeating line, it cannot stand and it will be impossible for it to go on in its present form. There may be serious defections from the ANAP in the days ahead for this reason."

The government has lost the support of the large majority of the people through the image it has projected to the country to date, Yazar said, continuing, "The promises which it have the impression it would accomplish in a short time have not been carried out. Moreover, the government is having internal problems. I do not believe the large majority of the country approves the government."

Kayseri Welcome

Yazar was met by a large convoy of nearly 150 automobiles at the Bogaz Bridge on the outskirts of Kayseri. Enthusiastic well-wishers carried placards proclaiming "Great Chief" and "We Are Proud of You." Yazar made a circuit of the city, ending at his mother's home.

"Give Me Your Blessing, Mother"

Yazar met further demonstrations upon arriving in the "Arabian Horse" at the Cantikoglu Apartments on Hattı Avenue. The women of the Yazar family were gathered on the balcony where they threw flowers and applauded in the old-fashioned way with wooden skewers or knitting needles.

Yazar then went to his mother's apartment on the third floor of the building, where he kissed the hand of his 63-year-old mother, Servet Yazar. Servet Yazar was very emotional, barely holding back tears, as she said, "Praise be to God that I have raised a son to be so useful to the country."

Mehmet Yazar then kissed his father's hand and said, "Give me your blessing, Mother, let me go with your blessing and the permission of Allah." Servet Yazar, at this, could no longer restrain her tears and said, "I give it to you freely, my son. May Allah help you. You have succeeded in everything until today. Succeed in this as well." He then hugged and kissed her son.

Yazar the CDP Member

Mehmet Yazar left his mother's hearth for the political hearth. The street in front of the CDP Kayseri provincial headquarters and the third-floor offices were milling with people. Yazar made his way through the crowd to the side of Provincial Chairman Mustafa Derin only with difficulty. Yazar and Derin greeted each other with a kiss, and District Chairman Fuat Gultekin had Yazar sign the membership form. Then, in his speech as a CDP member, Yazar said:

"Distinguished members of the CDP caravan, I have come to join you in order to participate as one of you in this service caravan under the banner of democracy [words omitted] since then. I thank you for bringing me to this task from the streets of Kayseri's Gorgular section. This cause, this torch will spread its light. If I can make the smallest contribution to this caravan, I will thank Allah for it. I speak with gratitude of the CDP members who defend freedom and democracy and have suffered for this cause. The banner of the believers will wave from the highest tower. No force is greater than the people. No cause can last without the support of the people."

After Yazar's speech, Provincial Chairman Mustafa Derin also spoke, expressing his great pleasure at having Yazar join the CDP caravan.

Yazar, now a member of the CDP and soon, the cheers of party members, went to the Hunat Mosque to attend the Friday service. He also visited the shrine of Seyyid Burhaneddin, the mosque of our lord Idris (Idrisi) and the grave of his father, Mustafa Yazar. Yazar then boarded the "Arabian Horse" to return to Ankara. Yazar will go to Trabzon today, then to the CDP's 1991-1992 first provincial congress.

Cindoruk's Comments

Meanwhile, Husamettin Cindoruk, a member of the CWP central decision-making body, said, "The CWP will not be a branch of the Union of Chambers."

In a statement to reporters at a Correct Way Party rally at the Istanbul Hilton last night, Cindoruk said he thought it was too early for the contest for general chairman of the CWP, adding:

"I find Mr Yazar's methods of operation inappropriate. His method gets boring after a while. Turkey and the Turkish people have many problems. I cannot comprehend taking these troubles so lightly. The 14 May congress will censor this political comic book. The CWP delegates are mature, serious-minded and intelligent. These shows will not influence them."

Contending that Turkey is in a political crisis, Cindoruk said that the CWP's struggle was political and concluded his statement as follows:

"We wish to establish the order as a democratic order. The CWP's struggle has to do with the regime. We have made these opinions perfectly plain and will continue to do so."

8349

CSO: 3554/120

POLITICAL

TURKEY

OZAL BELIEVES UNITED STATES SHARES SAME VALUES

Istanbul MILLI GAZETE in Turkish 6 Apr 85 p 1

[Text] In the course of his official visit to the U.S.A. Premier Ozal met with Secretary of Defense Caspar Weinberger. When visiting the Pentagon, Premier Ozal was welcomed with an official military ceremony. Premier Ozal and U.S. Defense Secretary Caspar Weinberger reviewed the ceremonial military unit. Nineteen-gun salutes were fired, as the band played military marches. It was disclosed that in the course of the Ozal-Weinberger talks current work, both bilateral and within the framework of NATO, was dwelt on.

Premier Turgut Ozal subsequently attended the dinner given in his honor at the American International Press Club. He made a speech there and he answered journalists' questions.

In his speech Premier Turgut Ozal drew a parallel between Turkey's social and economic situation before 12 September 1980 and today. The premier, who said that economic stability had been finally achieved in Turkey and that by opening to the outside the economy had made important advances, also said: "Some say that this is a revolution; a better word for it is reform."

"We feel our relations with the U.S.A. are important. We share the same values and ideals. In this shrinking world we are in the same boat. Your strength is ours as our achievements are yours. We expect you to understand our problems and to take note of our achievement. We want to be your partners. The aim we are striving for is peace and prosperity. American aid is important. But what is more important is to increase the trade potential. As you see, we have come a long way. I did not come here to ask but to explain, not to complain but to point out the obvious."

Following this speech, which was met with applause, Premier Turgut Ozal answered journalists' questions.

Questions and Answers

To a journalist who reminded Premier Ozal of his appeals to the premier of Greece, Papandreou, for a dialogue and asked him: "How can you expect Papandreou to agree to a dialogue when there are Turkish soldiers in Cyprus?" he gave the following reply:

"United Nations' Secretary General, Perez de Cuellar, within the framework of finding a peaceful solution to the Cyprus problem, which we too support, submitted the draft of an agreement between the leaders of the island's two populations. While this draft was accepted by the Turkish side, the Greeks would not sign it. Yet this document, from the standpoint of paving the way to a solution of the problem, was of the greatest importance. The Greek side was unable to seize this opportunity. Our meeting with the premier of Greece would contribute to a peaceful solution in Cyprus. If we don't meet we can't make any progress. I am ready to meet with Papandreou at any time and in any place. And this includes Athens, too."

Dangerous Escalation

"A pipeline runs between Iraq and ourselves. We also signed an agreement for the building of a second one. And preparations are going on for a pipeline that will convey oil and natural gas from Iran to Western Europe. All those undertakings will tie up mutual interests and contribute to bringing prosperity to the area. A very difficult war is going on between Iran and Iraq. The leaders of those two nations hate each other. We would like to see the end of this conflict. Because it is escalating dangerously."

And the last question directed at Premier Turgut Ozal was: "Turkey is buying a lot of landing craft. If you have no intention such as getting ready for an occupation in the Aegean, why are you buying those ships?"

The Premier said the following:

"The naval forces of all countries have landing craft. Naturally, the U.S. navy has them too. Are you occupying any country?"

Yesterday Premier Ozal, who completed his official visit to the U.S.A., came back home.

12278
CSO: 3554/126

POLITICAL

TURKEY

REAGAN PUTS ON ACT, OZAL APPLAUDS

Istanbul MILLI GAZETE IN Turkish 5 Apr. 85 p 1

[Text] It is very hard for Premier Ozal, who went to the United States to secure support for the policies he follows, to be able to claim that he found what he was looking for. The honorable Ozal was met rather coolly, against his hopes, and his request for an honorary doctorate from Harvard University was turned down even before he set foot in the country. And the moment he did set foot, he was faced with surprises of rather a sobering nature for him. It became evident how unfounded Reagan's and his close associates' often-repeated words to the effect that "aid to Turkey must be increased," merely to save appearances, were, in view of the resolutions Congress passed.

It might be aptly said that Reagan and his friends were consistently putting on an act regarding an increase in the aid to Turkey, and they garnered abundant applause from Ozal. While Reagan acted the part of a friend in this play, in Congress he shouldered the part of being against Turkey, and it only remained for the innocent spectators to watch the performance. Undoubtedly, receiving the news that aid would be further curtailed on the very first day of his tour must have had the effect of a cold shower on Ozal. Particularly since the decision to expand the aid given to Greece, while aid to Turkey was being restricted, constituted an occurrence which called for serious thought.

The honorable Ozal, under the impact of this cold shower, also made the strange statement in his first stop that the matter of aid was the U.S.A.'s problem. The point of how a decision concerning two sides, the one that gives the aid and the one that receives it, can be the problem of one side only will be debated extensively. Such utterances can be, at best, only words resulting from being at a total loss.

Another sobering surprise for the honorable Ozal was also the fact that the American press paid no attention whatever to his visit, did not even mention it in a single line. From Ozal's standpoint, who announced in last minute press conferences that he would have numerous talks in the U.S. and that he would give close to 30 press, magazine and television interviews, the fact that papers did not mention his coming to the United States even by a single line was very unfortunate. How else can his attempts to promote the image of his being eagerly awaited in the United States, by activating his propaganda machine before the tour, and announcements that newspapers, magazines and television networks were lining up to talk to him, be termed other than a

fiasco since, in the end, not even a single paper mentioned his arrival?

It must be admitted and readily confessed that our efficient cadres were unable to go beyond the status of unwary spectators in the playacting put on by Reagan and his friends. They viewed as reality the presumed conflict between Reagan and Congress, staged as if Reagan wished to give aid to Turkey in spite of Congress, and they fell into the trap.

Reagan acted a part and Ozal applauded.

Results are here for all to see.

12278

CSO: 3554/126

POLITICAL

TURKEY

EXTREME LEFT CALLED TRADITIONAL SOURCE OF SEDITION

Istanbul TERCUMAN in Turkish 7 Apr 85 p 11

[Report on continuing Intellectual Hearth seminars on democracy and state]

[Text] "The source of crimes against the state is usually the extreme left wing and their purpose is to dismantle the state and establish a Marxist-Leninist state divided into parts," according to Professor Dr Sulhi Donmezer, an instructor at the Istanbul University Law Faculty.

At the series of seminars sponsored by the Intellectual Hearth on "Democracy and Tricks Played on the Turkish State," Professor Dr Sulhi Donmezer presented a paper on "State-Citizen Perceptions in the Turkish Republic." Attorney Ercument Berker and Dean of the Marmara University Theology Faculty Professor Dr Salih Tug were also panelists at the seminar.

Sanctity of State

Professor Dr Sulhi Donmezer said in his paper that "from the Ottoman Empire to the present day, Turks have been in irrefutable moral and national accord on the existence of the state, and the origin of the notion and perception of the sovereignty of the state among Turks is lost in history." "The national regard for the state, indeed, the sanctity of the state, gained legal status in the 1982 Constitution," he said.

"Our glorious history shows that this ever-present national regard for the state in our country is foremost among the mechanisms that unite the Turkish people and ensure their indivisibility."

Father State

"The approval of the 1982 Constitution by a margin of more than 90 percent implies that the Turkish people favor the state," said Donmezer, explaining that family ties of love and respect played an important role in the Turkish people's perception of the state as "father" and the basic notion of the "Father State" and that it had taken the form of attachment to the state and its powers. This characteristic is found in no other regimes, Donmezer said.

It has been determined that "the source of crimes against the state is usually the extreme left wing and their purpose is to destroy the state and establish a Marxist-Leninist, and a divided Marxist-Leninist, state," explained Sulhi Donmezer, adding that "even though the sources of treason engaging in these movements and crimes have diminished today, they still persist in their acts of sedition."

8349

CSO: 3554/120

24 May 1985

POLITICAL

TURKEY

DENKTAS: SOLUTION TO CYPRUS PROBLEM LINKED TO RECOGNITION

Istanbul MILLI GAZETE in Turkish 6 Apr 85 pp 1,9

[Text] Nicosia--The president of the North Cyprus Turkish Republic, Rauf Denktas, said that at this stage the solution to the Cyprus problem was linked to the recognition by the world of the KKTC [North Cyprus Turkish Republic]. In the statement he made to the ANKA, Rauf Denktas said the following:

"The recognition by the whole world of the KKTC will ease the way to an agreement. If the world's nations begin to recognize the KKTC, such a situation would be a decisive factor for the Greeks to sit at the negotiating table and sign an agreement.

"The referendum on the constitution and the general elections planned in the KKTC will also act as an element of pressure on Greek Cypriots. After the referendum and the general elections the Greeks will be compelled to sit down at the negotiating table. For they would not want the dialogue to be entirely cut off."

Rauf Denktas also pointed out that he did not believe the leader of the Greek Cypriots, Spyros Kyprianou, was strong enough at this point to sit at the negotiating table, noting that this view stemmed from the criticisms directed against Kyprianou's domestic policy and the pressures exerted on him. Saying that "the overall pressures exerted on Kyprianou are dangerous," Denktas continued his statement as follows:

"If we sat down at the table with Kyprianou nevertheless, from our standpoint there is the question of a new package of proposals. The agreement drafted in New York at the 15 January summit and its concessions are no longer valid."

Rauf Denktas also gave the following information regarding the impending visit to the KKTC of Brian Urquhart, the assistant-secretary to the UN Secretary General, Perez de Cuellar.

"Perez de Cuellar, too, knows that there are no chances for a meeting at this stage. The elections must take place first, and a mandate from the people must be obtained."

That is why Urquhart, who will be coming to inspect the UN forces in Cyprus, will be paying me a courtesy visit."

Denktas, who pointed out that he viewed the future as "hopeful" with regard to the solution of the Cyprus problem, spoke to the effect that: "The most intelligent thing to be done on this small island is to ensure internal peace. Both sides must refrain from behaving with ill will."

The President of the North Cyprus Turkish Republic, Rauf Denktas, answered as follows ANKA questions related to his statement:

[ANKA] If Kyprianou sits down at the negotiating table after the elections, will previous concessions be put on the agenda again?

[Denktas] There is no question of going back to any issue. For instance: at the New York summit we agreed to a concession regarding a rotation of presidents and instead of a rotation we agreed to giving the Ministry of Foreign Affairs to the Turkish side. However, according to what we subsequently heard from Kyprianou, there was no question of giving the Turks the Ministry of Foreign Affairs, as he would not agree to such a thing. If I sit down again now at the negotiating table, I will go over all those developments again, and I will ask: "What is it that you are accepting, in reality? Is it the contents of the package of proposals, or your own expectations and interpretations? Since you come up each time with totally new views, what is the meaning of and need for a package deal? And I will say that the concessions I made are no longer valid."

[ANKA] How would you evaluate news items to the effect that you decided to hold elections after Ankara gave the green light?

[Denktas] Such news items have no connection with reality. We in Cyprus take our own steps and proceed to do whatever we consider to be our duty.

[ANKA] Do you have any hopes of both sides getting together and reaching an agreement?

[Denktas] If we had not been optimistic and did not believe in the justice of our cause and in our future we would not have gotten where we are today. If Greek Cypriots don't change their present attitude there can't be any agreement. We will continue as an independent nation; there is no reason for us to be pessimistic. If the Greeks change their attitude and accept us as a founding partner with equal rights in the Federated Republic to be established, then there will be an agreement."

12278

CS00: 3554/124

POLITICAL

TURKEY

BRIEFS

PAPANDREOU DENOUNCES TURKEY--In the speech addressed to the people and the army on the 164th anniversary of the nation's independence, the premier of Greece, Andreas Papandreou, claimed that Turkey had its eye on Greece in the area of sovereignty. Papandreou, who said "We stretch our hand in peace to all the people of the world," added that his country claimed nothing from anyone but that it was also determined not to yield even an inch of its soil to anyone in regard to national sovereignty. Papandreou also referred in the same speech to the problem of Cyprus being deferred, and evaluated the initiatives of international organizations as insufficient and serving no purpose. [Text] [Istanbul CUMHURIYET in Turkish 24 Mar 85 p 6] 12278

TWO 'TURKISH SPIES' IN GREECE--Two Greek citizens, Mikhalis Demertzis and Yorgos Olimbios are accused of spying for Turkey. Demertzis, who is from Mytilini and who was arrested the other day following a denunciation from the Greek Secret Service Organization KYP, made a deposition yesterday in the attorney-general's office. A search of the house of Yorgos Olimbios, who is from Thessaloniki, yielded 80 bullets, a Ugandan diplomatic passport, a large number of foreign currency receipts and \$100,000 worth of travellers' checks. But he was not caught. According to the Athens police, the buyers of the travellers' checks are in Turkey. Demertzis, who is under arrest, in the deposition he gave at the attorney-general's office claimed that: "When visiting Turkey last year at the urging of a South African military attache on duty in Athens, he established connections with the nation's political and military personalities in high places." In his deposition Demertzis said that "In the course of his contacts in Turkey he became scared by the demands made on him for information on nuclear energy and rearmament, and upon returning to Greece he immediately contacted the KYP and told them what had been going on." But when KYP officials appeared to doubt his statements it has been learned that he gave himself up to justice. Demertzis will be tried for "giving support to enemy forces," and "for jeopardizing world peace," which come under the category of penal crimes. No information has been obtained yet about Olimbios, who is faced with the accusation of being a spy. It is claimed that Olimbios too was spying for Turkey and had established connections through the South African military attache. [Text] [Istanbul CUMHURIYET in Turkish 24 Mar 85 p 6] 12278

BILL ON LOST JOBS--The government is trying to resolve the problems of those who lost their jobs under Martial Law Act No 1402. Interviewed by an ANKARA AGENCY correspondent, Minister of State and Government Spokesman Mesut Yilmaz said a bill had been drawn up about the people whose jobs had been terminated by Martial Law Act No 1402. Indicating that the details had not yet been discussed by the government, Yilmaz said that how the problem would be solved would be decided in the Council of Ministers. Populist Party deputy and acting parliamentary group chairman Seyfi Oktay said that reviewing the status of public employees whose jobs had been terminated by the Martial Law Commands and returning them to work was an important and pleasing development. [Text] [Istanbul CUMHURIYET in Turkish 24 Mar 85 p 7] 8349

CSO: 3554/120

MILITARY

DENMARK

SDP DEFENSE SPOKESMAN PROTESTING INCREASED CONSCRIPT SERVICE

Copenhagen BERLINGSKE TIDENDE in Danish 23 Apr 85 p 3

[Article by 'Neb.']

[Text] Knud Damgaard, defense spokesman for the Social Democrats, will ask Defense Minister Knud Damgaard Hans Engell for a more thorough report concerning a proclamation extending the service time for conscripts in combat and engineer units, as well as for [all] sergeants, by 3 months.

The extension was brought about in conformity with the defense bill compromise, to which the Social Democrats are signatories, and whose second paragraph states that: "The length of the first training period for conscript privates serving in combat and engineer units is increased from 9 months to 12 months, which means an improvement of the mobilization force and the standing readiness in the Army." It is detailed both in the agreement and in the proclamation that the service period increase will be effected to the greatest extent possible by voluntary action.

CSO: 3613/136

24 May 1985

MILITARY

FEDERAL REPUBLIC OF GERMANY

MANAGEMENT PRACTICES, INFLATED COSTS PLAGUE ARMS PROCUREMENT

Industry, Services Relationships Complex

Duesseldorf WIRTSCHAFTSWOCHE in German 8 Mar 85 pp 46-58

[Article: "Expensive All-Round Renovation"]

[Text] Nearly one-fifth of the federal budget this year will be invested in defense. But the application of the billions is subject to criticism. The procurement mechanisms are unwieldy and the relations between government purchasing agents and arms producers are complicated.

Are we getting the corresponding defense for our billions in taxes? This is the question put by the American news magazine U.S. NEWS & WORLD REPORT. It applies to the United States but is just as acute for the FRG. Here as well as there, to be sure, the answer is equally vague. Still, this year alone, the citizens of the FRG are paying about DM 50 billion for defense, not including the DM 14.5 billion for Berlin, which according to NATO criteria are likewise considered part of the defense load. About DM 15 billion of the DM 50 billion are for arms and arms research. So about 20 percent of the total federal budget of DM 259 billion goes into defense.

The Federal Government is under pressure. On the one hand, the United States is pressing for a strengthening of conventional defense. For years, according to U.S. Senator Sam Nunn, the FRG has been "undertaxed" in regard to its military outlays. On the other hand, Defense Minister Manfred Woerner has hardly a chance that his colleague Finance Minister Gerhard Stoltenberg will allow him to effect a massive increase in his budget.

In addition, social politicians of all parties argue that much too much money is being spent for the military--at the expense of the social budgets. Everywhere, however, there are doubts as to whether the arms expenditures are actually being employed according to economically justifiable criteria.

Minister Woerner is not the only one who must put up with accusations of poor planning and waste. Previous German defense ministers faced the same fire. The concerns of the military patrons are indeed historical in nature. Tradition has it that Napoleon Bonaparte, the legendary strategist and subsequent emperor of France, once groaned: "My generals never have enough cannons and soldiers."

Almost 200 years later, former defense minister and former federal chancellor Helmut Schmidt reckoned slightly differently: "In the first place, one needs young men, secondly motivation, thirdly training, and fourthly money."

The armament administration of the eight defense ministers who have served so far is not responsible for the number of soldiers but for the conversion of the resources approved by the Bundestag [FRG parliament] into armaments. And never yet have the defenders had enough money.

Only in the formative years of the Bundeswehr after 1955 did the costs of individual defense projects fail to rouse the public, for at that time weapons and equipment were purchased abroad, mainly in the United States. The prices were firm and at most there were occasional changes for special German wishes. At times, however, there was public irritation because individual German producers of minor equipment items enriched themselves unduly on defense contracts.

Thus a Duesseldorf entrepreneur earned several hundred thousand marks by selling pop-up cardboard target figures to the Bundeswehr for eight times the usual market price. A Brunswick firm presented bills that were millions too high for tank repairs. And the business manager of Focke-Wulf GmbH collected DM 3.75 million too much for 1,720 disposable aircraft gasoline tanks.

In those days, SPD Bundestag representative Karl Wienand thundered that the Defense Ministry was allowing individual contractors profit margins of up to 5,000 percent. Ceramic resistors, for example, were being sold to the Federal Government for DM 119, whereas the normal unit price is DM 6. This practice is still widespread and is not limited to the FRG. Thus just recently, the Swiss were complaining that the general contractor Contraves AG was selling them hand cranks for the Leopard tank for 2,500 francs although they are worth no more 200 francs.

From time immemorial, the industry has defended itself against such charges. In 1965, when Federal Defense Minister Kai-Uwe von Hassel demanded that his ministry have the right to examine prices, the enterprises were incensed: "There is no reason for that." The price checks by the prices office of the Land economic authorities are fully adequate, they say.

As late as 1972, however, Helmut Schmidt's undersecretary for armaments Wolf Mommsen was vexed by the fact that many German defense firms were making purchases abroad at fixed prices but resist with tooth and nail in the Federal Defense Ministry against any sort of fixed prices.

The reason that there was not more political turbulence in the 1950's and 1960's was that enough money was available during the economic miracle. If the individual plan 14 (defense) was exhausted, for personnel costs there was still access to individual plan 60, the reserve fund of the Federal Government. This occurred, for example, when the DM 1.5 billion German development of a verticle-takeoff combat aircraft had to be discontinued because the technology and strategic concept were no longer suitable. And when Helmut Schmidt became defense minister in 1969, veteran employees of the armaments section remember wistfully, then it was enough "to call friend and Finance Minister Alex Müller and everything was all right."

Helmut Schmidt, to be sure, was quite early in foreseeing the problems with the defenders. In his first Bundeswehr white book (1970), he named "planning shortcomings, exaggerated perfectionistic demands, conceptual changes right up to the end phase, budgetary and economic-cycle reasons, insufficient contracts and inadequate plant work in the industry" as the main reasons for failed defense projects.

Convinced of the success of his newly installed planning system, Schmidt has lists compiled of previous "undisputed inadequacies." Included there are the armored personnel carrier MS-30 as well as the Misere with the submarine attack, the 30-millimeter twin armored antiaircraft gun, the nonfunctional combat systems of the destroyers, and the corrosion damage of the naval reconnaissance aircraft Breguet Atlantique. In 1971, through a basic ministerial directive, a commission was appointed that was to maintain control of technology and costs through precise planning.

To be sure, the authors of the white book cannot have taken literally everything that they wrote down. As in the sentence: "Developments must be stopped when the project costs become intolerable." For at precisely this time, the so-called definition phase of the multipurpose aircraft Tornado was concluded and Defense Minister Schmidt gave the green light for the start of the series production of the aircraft that later almost catapulted Defense Minister Hans Apel from his minister's chair.

And even then warning lights were flashing. For the original unit quantity of 800 requested by the military and approved by the Bundestag was "drastically reduced" to 420 because of rising costs, even though the system price (including development, procurement and training) of DM 18 million was still a long way from today's costs on the order of DM 100 million, which, to be sure, was applied to only 322 units.

But the economist Helmut Schmidt saw the problem from the other side as well. After all, the German air and space industry is 70 to 80 percent dependent upon defense contracts (and a large portion of the weapons and military plants are at least 50 to 60 percent dependent upon them). Fluctuations in contracts are absorbed through pricing policy--with the well-known negative results (see interview).

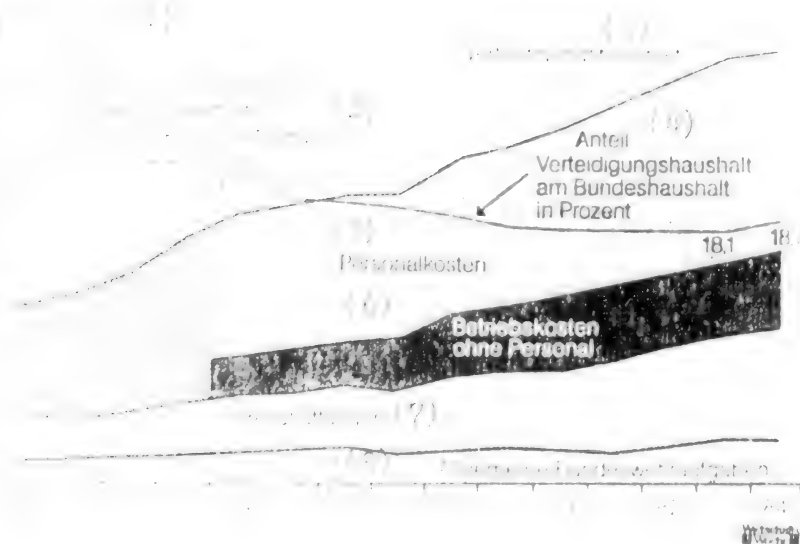
Neither Schmidt nor his successors thought of the consequences of this inflation. The situation seems immutable, if the FRG wants to hold on to the concept of a national defense development and not just purchase complete weapons and equipment abroad.

And the defense cooperation sought with foreign countries also proved to be unsuitable for controlling the cost trend, as was shown by the light German-French combat aircraft Alpha Jet, which was supposed to replace the Italian model Fiat G 91. Whereas the unit price was pegged at about 14 million during planning in the 1960's, one plane already cost about 20 million in 1977, more than the more combat-effective fighter aircraft F-4 Phantom II in the United States. These examples, as in the case of the phenomenon in the new construction of frigates, demonstrate that the rule of thumb "cost control

systems... will be the generation that produces them" in its longer
 valid... has lost since... 1960 or 1961, if not more.

Nevertheless, it is not simply that the defense planners at the Ministry
 have no... of all the costs. In recognition of the fact that efficient
 management... for controlling technology and the cost trend, the
 IHD... (with limited liability) ...
 is... involved. It was to provide
 information... which it did not with with
 ... as well as 1969, for example, as IAFI clearly showed the
 ... but the paper disappeared like
 ... and did not show up again
 ... given the proper authority, a similar
 ... simply was not seen to be able to regulate and improve
 ... to economic criteria.

What is... of the Federal Defense Ministry relative to the



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reject the inclusion of the inflation rate in awards, for fear that it would lead to further automatic price rises. The fact that the Federal Office of Military Procurement required an army of 20,000 civil servants to run the procurement of stores and is the Federal Office for Military Technology and Procurement, which is responsible for central defence contracts does absolutely nothing to change this situation, at least in the short run.

In practice, a procurement project goes as follows: on the occasion of the project, the defense officer presents extremely narrowly specified demands to be awarded the contract in accordance with the "technical specifications" (Kauford Timmerman, Undersecretary for Armaments). The demands are often for the most varied reasons: sometimes the military people want additional technical modifications, or the military describe changes, or it is because of inflation.

Since "the industry is not very eager to let anyone see its books" (Kauford Timmerman, official in the Federal Defense Ministry) and since the industry is not in the defense sector with the losses in the civilian sector at the moment, it is only rarely possible to determine the real costs of the defense industry.

A classical and for once a verifiable example of the situation is the case of the trade profits that is included in the prices. In 1964, the defense industry was asked to pay a 10% tax on its profits. The industry refused to do so, claiming that it did not have to pay any profits tax. The industry was then asked to pay a 10% tax on its profits. The industry refused to do so, claiming that it did not have to pay any profits tax. The industry was then asked to pay a 10% tax on its profits. The industry refused to do so, claiming that it did not have to pay any profits tax.

In an opinion of experts in September 1964, the Federal Audit Commission reported that it is a well-known fact that the defense industry is not in the defense sector with the losses in the civilian sector at the moment. It is only rarely possible to determine the real costs of the defense industry. The industry was then asked to pay a 10% tax on its profits. The industry refused to do so, claiming that it did not have to pay any profits tax. The industry was then asked to pay a 10% tax on its profits. The industry refused to do so, claiming that it did not have to pay any profits tax.

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The more or less reassuring answer: "Until the start of the production of the follow-on model for the Leo 2 in the 1990's, we must concern ourselves increasingly with exportation." But according to its official statements, the Federal Government does not want to expand arms exports.

The example of the Bremen shipyard Vulkan AG shows what the scenario of a defense contract looks like, in which politicians, trade unionists, military people and entrepreneurs take part--all from a different set of interests. As general contractor, it was to build six Bundeswehr frigates of type F 122. Taken as a whole the shipyards on the German coast were doing poorly, in 1979, the DM 1.8 billion contract was, however, to be divided among five shipyards. To be sure, that raised costs by at least DM 300 million, but the Federal Government went along with it to promote employment. By 1981, however, the costs had already risen to DM 2.65 billion (10 percent more than what was allowed in accordance with the stipulated annual inflation rate of 3 percent). The Federal Government rejected the higher demands but the nonpayment of this sum would have meant the financial end for the shipyards. Thus politicians, union officials and military people implored Bonn (argument: "preservation of the German shipyard capacity") to go ahead and pay, indeed in the form of advance payments. They, according to Claus Grobecker, Bremen SPD representative at the time, are "to be repaid when the figures are again in the black." Manfred Locke from Hamburg, whom Apel once brought into the Federal Defense Ministry as a one-dollar economic consultant, had only one thing to say about this sort of proceeding: "adventurous."

For a long time now, there have been attempts, by the Bundestag as well, to get control of the more and more rampant defense costs. Thus in 1980, Kurt Jochen Wimmer, member of parliament, called for a more extensive use of parliament. To be sure, there has seldom been a lack here. Again and again, in partial cooperation, called the Salami tactics--the representatives were asked by the military to approve certain defense projects. If they showed a willingness to do so, however, it was usually impossible for them to back out later.

At times the Defense Ministry simply used price manipulation to avoid the responsibilities of the people's representatives about constantly rising prices. The Federal Audit Office uncovered such an example in 1978. Price increases for a weapon system were initially absorbed through a reduction in the spare-parts reserve so as outwardly to remain within the framework of the officially agreed costs. "Later," criticized the auditors, "the required spare parts will be paid for extra in the form of a repeat order as independent projects." In another case, the budget representatives were presented development costs of DM 40 million for the Leopard 2. But hardly had the committee given its approval and already the costs had quietly risen by DM 77 million.

But the manner in which defense cost problems reached the consciousness of the public was alarming when in November 1980 an unforeseen DM 533 million was included in the budget for the Tornado and an additional DM 800 million was required in 1981. So the combat aircraft, estimated at DM 4.83 billion in 1979, had increased in cost to DM 22 billion by 1981. The defenders were so short of cash that purchases from small firms had to be made with extended payment terms, that is, on credit.

The investigation of the reasons brought out some hair-raising facts. Until the end of 1979, Namma (NATO MRCA Management Organization), with headquarters in Munich and responsibility for executing the Tornado project, did not even have a finance department. "That is why it was not possible to determine costs properly," so writes Namma to the Federal Defense Ministry. In addition, Apel's defense planners simply neglected to take into account the increases in the value added tax approved by Bonn for fuel and other goods. And then the industry delivered the planned unit quantities on schedule, something that hardly anyone in the Defense Ministry had reckoned with.

Apel's excuses as well as the reference to his predecessor Georg Leber--"That is, after all, Leber damage" and "I lacked an early-warning system"--could no longer placate parliament. It appointed a fact-finding committee. But its conclusions left the defense minister largely unscathed. The consequences of the closed armaments session from the 4th through the 6th of March 1981 organized by Apel himself, which ruthlessly cut the DM 65 billion supposedly fully secured the previous year for an overall renovation of the Bundeswehr, were much harsher: Apel scratched the air force's combat aircraft (Jaeger 90) without replacing it, the navy was not to receive any new ships until 1990, and the army had to abandon the idea of a follow-on tank. In addition, there was a rapid reduction in resources for research.

Meanwhile, Kohl's administration has turned away from this austere program of cuts. It is no longer necessary to take so literally the sentence of Brig Gen Andries Schlieper: "We have atoned for the Tornado." For in the meantime, as decided in Rome on 1 October 1984, the Jaeger 90 is again fully included in the planning. It is the will of England, France, Italy, Spain and the FRG that it be built beginning in 1985 and cost Bonn DM 3.7 billion for development and DM 18 billion for procurement.

The air force originally wanted to order 250 of the aircraft but Chief of Staff Wolfgang Altenburg, meanwhile responsible for the military planning of all military services, cut that back by 50. His reason: the history of the very up-to-date but ultimately inadequately armed Tornado teaches that one must think very early about the costs of armament.

Brig Gen Rolf Thiemann, who has tested all comparable Western flight models, is of the opinion that today, after the troublesome experiences with the Tornado, cost-effective operability is "the essential element for planners." The five-nation aircraft could become a rousing success as a "Leopard of the skies." After the experiences with the Tornado, not just Bundeswehr critics are now putting question marks behind the ultimate price calculation of DM 70 million per aircraft. With a cost trend similar to that of the Tornado sale, the ultimate price of the Jaeger 90 could eventually be around DM 200 million. And they have not yet even budgeted the future operating costs, which could, according to Timmermann, be in the ratio of six to three relative to procurement costs.

The trend in the air force also reveals a vicious circle in the race of West-East defense systems. NATO is attempting to use quality to compensate for the quantitative superiority of the Eastern Bloc. But that is costly and leads to

a reduction in unit quantities. In turn, the high technical complexity of the few models makes them even more susceptible to trouble and less combat-ready, and it again follows that the reduced unit quantities are crammed full of even more technology.

Meager Increase: Defense Expenditures According to NATO Criteria (1984 authorized level or status at the end of 1984)

Country	Absolute Amount (in millions of U.S. dollars)	Real Change (in percent)	Percent of Gross Domestic Product	Per Capita (in U.S. Dollars)	Percent of Total Budget
Belgium	2,609	- 0.4	3.2	264	8.0
Canada	7,669	+ 3.7	2.2	304	10.1
Denmark	1,300	+ 0.4	2.1	255	6.8
France	21,104	+ 0.6	4.1	386	18.6
FRG	21,514	+ 0.2	3.3	352	22.6
Greece	2,423	- 0.5	6.7	244	18.0
Italy	10,494	+ 0.8	2.9	184	5.1
Luxembourg	42	+ 3.1	1.3	114	3.4
Netherlands	4,073	+ 3.7	3.2	252	8.9
Norway	1,689	+ 3.5	3.0	408	10.7
Portugal	632	+ 0.4	3.1	62	10.0
Turkey	2,174	+ 1.8	4.2	44	21.3
United Kingdom	24,793	+ 4.2	5.3	443	16.8
United States	257,543	+10.1	7.1	1,089	33.7

Exchange rate: average for the first quarter of 1984 according to IMF/NATO (for example: 1 U.S. dollar = DM 2.7025)

Source: WIRTSCHAFTSBOCHE

Many military people are fundamentally convinced that follow-on models of weapon systems must perform substantially better than their predecessors. Their tactical demands on the system result, however, in 30 percent of total costs being expended for the last 5 percent of output. But according to an air force general: "In the final analysis, soldiers are still the deciding factor independent of cost awareness." The defense minister is the one to pay--along with the taxpayer, of course.

Minister Woerner is making an effort to satisfy the military--the air force as well as the navy and the army. For the development of the Battle Tank 3 eliminated by Apel, for example, the Bundeswehr plan for 1984 through 1998 includes DM 577 million and DM 10.5 billion for its procurement beginning in 1998. Of course it remains to be seen whether this will continue to satisfy them. For in the meantime, Woerner's planning staff authorized an investigation of whether the planned Battle Tank 3 can "really be another great success."

The result was probably hardly surprising for critics. And that could hardly be expected, for the development objective "with a conservative attempt at a solution through increased performance in subareas is strictly oriented toward the almost 50-year-old model of the turreted battle tank." So what was planned

was a "dinosaur," in whose development history the influential and conservative tank industry took a lively part. And to "awaken" the armaments division and the industry's representatives from their "Sleeping-Beauty sleep," Woerner's planners are recommending that they seek their heretical but vigorous exchange of ideas and experiences with the obviously more progressive people in air and space technology.

It appears that Woerner has already been following this advice. For in the latest army planning (January 1985), there is no more talk of the Battle Tank 3 but of an "Armored Combat Vehicle 2000, which is to bring about a technical leap into the future." And the minister exudes optimism: "The confusion of the past in armaments is now behind us and we have a firm grasp of the development." It still remains to be seen whether he is right.

Quite apart from the built-in obstacles in defense, he must solve the problem that as a consequence of the simultaneous overall renovation of the entire Bundeswehr begun by Schmidt and Leber at the beginning of the 1970's, this threatens to be repeated in a parallel and cumulative manner in the 1990's. That is why expert Emcke says rather skeptically: "Not a great deal of armament will take place in the future."

Bruno Koepl, the former IABG military analyst even cynically compares arms management in the Federal Defense Ministry and the BWB with a builder who makes it clear to the architect that he has no time, understands nothing, is providing him with relatively limited resources, is allowing profits to rise with costs, and attaches no importance to completion on schedule.

Although less colorful, security expert Alexander Paulus arrives at similar results in a rather lengthy work on cost-benefit analyses for investment programs in defense planning. To be sure, summarizes the author after 200 pages full of theories and formulas, these analyses cannot guarantee the optimum selection from among various defense programs but they are still better than "muddling through."

Arms Procurement Chief Interviewed

Duesseldorf WIRTSCHAFTSWOCHE in German 8 Mar 85 pp 58-64

[Interview with Undersecretary for Armaments Manfred Timmermann, by editor Friedrich Thelen; date and place not given]

[Text] Those in the Federal Defense Ministry involved in procurement want to steer their relations to industry onto other paths. In a conversation with WIRTSCHAFTSWOCHE editor Friedrich Thelen, Undersecretary for Armaments Manfred Timmermann explains how that is to take place and what problems thereby arise.

[Question] Mr Timmermann, the costs of defense goods are rising continuously. Experts fear that soon the defense budget will no longer be able to absorb these rates of increase. How do you plan to cope with this?

[Answer] One cannot generalize about that. For the projects foreseen in the 1986 Bundeswehr plan, we have made very careful cost estimates and are proceeding on the assumption that we can keep these costs within limits. To be sure, there are problems caused by the fact that the federal budgetary system along with the accounting system were basically developed for normal sovereign administration but not for one of the largest purchasing organizations in Europe such as the Bundeswehr.

[Question] How can that be changed?

[Answer] With the instruments of annual transferability and reciprocal reimbursability, we can handle cost increases of an average of 5 percent annually. In the case of greater increases, there is the danger of the building of a bow wave and that the planning could become a farce. If in the future we can compensate for cost increases through cost savings in other areas, that will also provide the incentive to achieve savings that we do not lose to the finance minister. Also, it is not always mismanagement when a cost estimate has to be corrected. To be flexible, we need an activation of these two elements foreseen in the budget system.

[Question] Do you think that the Bundestag will go along with your plans to reform the budgetary system in this sense?

[Answer] I cannot complain about a lack of willingness at my work level to discuss this path and to take it gradually and from case to case. Surely it is much more difficult to put through general changes in the budgetary system.

[Question] Are you not putting the cart before the horse? The procurement system now means: production costs plus 5 percent profit for the industry. Accordingly, every supplier must have an interest in presenting high costs.

[Answer] This system leads to two effects: at the beginning, the industry works with low estimates so that it can be included in the planning at all. That is the sneak-in effect that is not at all unwelcome to the military as a consumer. Later, of course, the industry really does have an interest in having production costs be as high as possible. Our error is in the fact that the one making the highest possible costs is rewarded. We are now changing that. We are defining an upper cost limit and writing in addition: if you stay under this upper cost limit, you should participate fifty-fifty in the cost savings. That is an enormous incentive for the industry and also benefits the taxpayer.

[Question] Does not the problem also involve the fact that there is absolutely no competition for certain goods within the national contract market?

[Answer] Correct! What we are doing with an upper cost limit and a system of incentives represents alternative solutions for a market mechanism that is not fully functional. For political reasons, however, we require that the German defense industry forego interesting export markets. Thus it cannot use export sales to recover costs that they previously put into development.

[Question] Are you in favor of rethinking the arms export policy?

[Answer] For reasons of promoting full employment, it would be important to give some thought to the arms export policy. But that is a fundamental decision of the Federal Security Council.

[Question] Does not the practice of production cost billing plus 5 percent have a certain infectious effect on civilian parts of an enterprise?

[Answer] There is indeed the danger that public contracts can damage the morals and undermine working morale. A member of the managing board of a German shipyard once told me that he would most like to separate the jobs for public contracts in his shipyard from the areas that face hard competition from the Japanese and Koreans.

[Question] The defense companies often present the argument that the reason costs are so high is that they have to hold on to a certain number of technically highly skilled specialists for the future. Is that true?

[Answer] That is a favorite argument that we hear again and again. I call that forced succession and we have no part in that. We have always said to the industry: see to it that you have enough civilian applications that you can hold onto your specialists there. Therefore also a pleading for a lower proportion of sales from companies with excessive Bundeswehr contracts. I would prefer not to award a contract to anyone more than 30 percent dependent upon us. For then there is no more pressure to lay people off. They should do more to develop their civilian leg.

[Question] Electronics represents a huge portion of costs. Would it not be cheaper to lease electronic systems?

[Answer] We have not met with the approval of the finance minister with this idea. He is relying on an opinion of the audit office and saying that this is expensive.

[Question] In the case of procurement projects, parliament practically loses control as soon as the first development costs occur. Then one simply must pay.

[Answer] I do not want to deny that the problem exists. But it is not that bad. Naturally, cost increases can occur that must be put through despite the fact that we are throwing good money after bad. But the question is whether one should occasionally have the courage to stop a project.

[Question] Has that happened?

[Answer] We have done that but only in exceptional cases.

[Question] Is it helpful when standardization is oriented more toward the civilian area?

[Answer] It is enough when we procure more in accordance with the market than has heretofore been the case, for there will then be more competition--in trucks, for example.

[Question] Is it not necessary to change the mechanism for deciding which system is to be purchased or planned and when? If the so-called Bundeswehr total renovation for the air force, navy and army is not repeated all at once after 12 or 15 years, then the available resources could be used more efficiently.

[Answer] I do not deny that. We have done everything possible to rectify the simultaneousness of the procurement projects. The Bundeswehr plan for 1986 makes this clear. Through the higher planning responsibility of the chief of staff, we have been able to limit the egotism of the military services does not prevail.

[Question] Will there not be another closed armaments session as in 1961 for the Tornado?

[Answer] No, for we have chronologically divided the procurements.

[Question] But you do need highly qualified specialists for the cost management that you are striving for--if only because of the increasingly complex technology. Here, with your rigid system of civil servants, do you intend to employ them. Do they not cost more than undersecretaries?

[Answer] That is my big concern. In the personnel area, we cannot adjust to the structural change in military technology as rapidly as we should. That is especially true for the high efforts microelectronics and data processing. A person who has studied in this area naturally has better income opportunities with a computer producer than with us. Whoever comes to us anyway is a fan of the Bundeswehr. The students trained in computer science at Bundeswehr colleges and joining as second officers do not suffice. Wherever possible in the armaments area, we will fill positions that open up with electronics specialists hired from outside.

[Question] And ignore the misery of the agonized civil servants who see their chances for advancement disappearing?

[Answer] There are substantial personnel problems.

[Question] How do you intend to fit the creativity that is breaking out of the prevailing bureaucrat-mold thinking into the system of your defense planning?

[Answer] We are preparing a Bundeswehr research and technology concept that will be presented to the minister in March for approval. Therein we provided resources for possible future areas. We want to promote creativity, because someone who has been involved with a certain development for a long time and does not get out of it easily.

[Question] Have you given the overall economic value of the "brain-drain," that is, the secondary effects of military contracts as have been achieved in the United States in the last 40 years, and what is the specific significance of the new American defense plan--so-called "star wars"--for the FRG?

[Answer] Independent of strategic considerations, we are thinking about how the Bundeswehr can participate meaningfully in the technological aspect of this program. We know that the financial dimensions do not allow us to establish a program in competition with the Americans. But we also know that we must not uncouple ourselves in this area of technology.

[Question] What would be the scope of the participation?

[Answer] It is still much too early for such a determination.

[Question] During the debate on counterarmament, there was discussion of the replacement of nuclear defense with conventional defense. Can we even afford a purely conventional defense, which is much more expensive than nuclear defense?

[Answer] Nuclear weapon systems are less costly than the corresponding equivalent conventional systems. It was always clear that the raising of the nuclear threshold through the strengthening of conventional defense is tied to very great financial expenditures.

[Question] There are no plans for a fundamental abandonment of nuclear means?

[Answer] No, nothing is changed in the overall strategy with a nuclear component. Only the threshold value will be raised.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

WOERNER SAID TO BUNGLE 'IFF' NEGOTIATIONS, BOWING TO U.S.

Hamburg DER SPIEGEL in German 15 Apr 85 p 32

[Unattributed article: "Woerner Goes to Washington"]

[Text] Defense Minister Woerner is stumbling into still another affair. This time, it concerns the purchase of a friend/foe identification system (IFF) for the air force. At a special meeting of the defense committee, the minister is being asked to justify why he suddenly wants to buy the American equipment for German aircraft and air defense units now that he has returned from his latest visit to Washington in early April although the German firm Siemens has developed a better system, according to experts and military men.

By going it alone, Woerner ignored the suggestions of his own staff, of members of the Bundestag as well as experts in the communications and transportation ministries. According to these ministry experts, the American device poses a serious threat to air traffic safety in the FRG, since it also works on the 1-1.2 Gigahertz D-band used by civilian aircraft. For this reason, the postal service could not and would not approve the U.S. product for use.

The report by the experts has been on Woerner's desk since late January. Manfred Timmermann, Woerner's state secretary for arms procurement, took the report so seriously that he informed the Americans by letter that any purchase of the American Mark-15 system was out of the question. Timmermann was confident that Woerner would be a "very tough" negotiator with the Americans.

But after Woerner had met with Weinberger, things were quite different. Woerner had bowed to American pressure and was merely speaking of compensatory business deals for German industry—with German tanks for American tanks being talked about. According to Woerner, the U.S. set down a number of "facts in a one-sided manner." There was no mention any longer of a two-way street in arms purchases: the Europeans are buying seven times more arms in the United States than the United States buys in Europe. But Woerner is still hopeful. "I am going on the assumption that the Americans will appreciate my willingness to compromise," he says. What kind of compromise is he talking about ?

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The Siemens IFF system transmits on the 2-4 Gigahertz E/F band, which the postal service has reserved for military aircraft and which can therefore be used without any restrictions. The development costs were about DM 127 million. This year, another DM 10 million is to be spent on construction of a prototype—which might just as well be put in a museum now in the aftermath of Woerner's Washington trip.

The IFF transmitters send out an encoded query once a possible target appears. The transponders of friendly aircraft then radio back the correct code. The present equipment is completely obsolete. In field exercises, it was found that NATO forces would shoot down more than 20 percent of their own aircraft during the first few days of a possible conflict. In the absence of automatic, trouble-free friend/foe identification systems, even highly sophisticated defense weapons such as the Roland or Patriot missiles are of only limited operational use.

The Bonn communications and transportation ministries which asked the defense minister last week to justify his lonely decision have not received a reply thus far.

Woerner, who had already taken off for the weekend, was ordered back to Bonn by the chancellor's office on Friday morning. Following a telephone conversation with Wolfgang Schaueble, the minister of state in the chancellor's office, Woerner was forced to admit in interviews that the decision was still open.

Now that will raise Caspar Weinberger's eyebrows.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

BUNDESWEHR 'WHITE BOOK' SAID TO LACK CONCEPT, IGNORE SDI

Hamburg DER SPIEGEL in German 15 Apr 85 pp 31-32

[Unattributed article: "Training for Toughness"]

[Text] The existing NATO doctrine is breaking up; the new weapons are unaffordable; there are not enough soldiers: Defense Minister Woerner does not have a plan.

Just like many times before, Hans-Dietrich Genscher took the floor--and wound up saying nothing.

The ministers attending last Wednesday's cabinet meeting--in the absence of Chancellor Kohl who was still on Easter vacation--were apathetically listening to the vice chancellor as he failed to address the real issue, leaving the cardinal question unanswered--which was whether the West should or should not respond with a similar gesture to Soviet party chief Mikhail Gorbachov's announcement that the USSR would halt deployment of short and medium-range missiles until November.

"If the Soviet Union does not deploy for half a year," Genscher said, then that is better in any event than if she continues to deploy and thereby further increases her substantial advantage in the medium-range field."

A flexible formula, to be sure. On the one hand, the Bonn government does not come up with a firm suggestion on how the West should react and on the other hand, it says no, albeit in code, to any counter proposal by NATO, toeing the line of American President Ronald Reagan.

Without informing their allies, the Americans turned down the Gorbachov proposal 2 weeks ago when it was submitted at a session of the Geneva disarmament talks. And when PRAVDA made the offer public at Easter, Reagan spokesmen complained about the Kremlin's "indiscretion."

The FRG government obediently followed the course set by Washington the cabinet sees no need to examine Moscow's offer any more closely.

According to U.S. intelligence sources, the Soviet Union currently has 276 SS-20s with a total of 828 nuclear warheads targeted on Western Europe. As a countermeasure, NATO has thus far deployed 63 of the 108 projected Pershing IIs in the FRG and 96 of the projected 464 cruise missiles in England, Italy and Belgium. If one adds the American forward based systems as well as the British and French nuclear weapons to these figures, one comes up with an approximate balance between East and West.

A temporary moratorium would thus work to the disadvantage of neither the East, nor the West. But it could have a favorable impact on the climate prevailing in the difficult disarmament business. If the negotiating partners in Geneva do not reach an agreement by November, the mutual moratorium might be extended or, if worse came to worst, deployment would continue after an interval of at least several months.

But the image of a Soviet Union which makes an effort to achieve detente does not fit into the Kohl government's current plans. Under American pressure, the Bonn government must reach costly decisions on a further arms buildup.

On the one hand, the American ally is urging the Germans finally to agree to participate in the U.S. SDI research program and on the other hand, Defense Minister Manfred Woerner must justify his expensive conventional arms program. By early June at the latest, the long overdue "1985 White Book on the Situation and Development of the Bundeswehr," a justification for projected expenditures running into the billions, is to hit the market.

The 647-page tome paints a dire picture of the Red threat. Although the relative strength of Warsaw Pact and NATO forces has hardly changed over the past few years, as Woerner's experts admit, the West and particularly the Bundeswehr must modernize its weapons arsenals and replenish its ammunition stocks. The reason for this is that Soviet military strategy is "designed to take the offensive in case of war and bring about a military victory over NATO."

At this time, Woerner's strategists add soothingly, no "acute danger of war" exists. But this should not lead anyone "to the erroneous conclusion that there is no existential threat." If need be, NATO must be prepared "to mount a tactical and operational counterattack." To this end, it is necessary, the strategists state somewhat more harshly, that military instruction take place in a "warlike" setting and that soldiers be trained "for toughness."

The authors who are otherwise given to verbosity tend to become rather monosyllabic when called upon to offer solutions to real problems confronting the armed forces, e.g. how Bundeswehr strength can be maintained at 495,000 men in view of the fact that the low birth rate age groups are now reaching draft age and how the new aircraft, ships, missiles and bombs are to be paid for.

MILITARY

FINLAND

NEW TANKS, ARMORED PERSONNEL CARRIERS STRENGTHEN FORCES

Helsinki UUSI SUOMI in Finnish 31 Mar 85 pp 20-21

[Article by Jukka Knuutti: "Men Installed in Tanks and Jeeps; the Wilderness Fighter Becomes a Part of History"]

[Text] The famed Finnish wilderness fighter is being left to the chapter in history dealing with the Winter War and the Continuation War. If a Finnish field army were at some time to be mobilized again, tractor-drawn vehicles would be a thing of the past. The core of the military, defense troops, would then rumble along in personnel carriers protected by jeeps and tanks. [An enemy] would not move against tanks, not even with projectiles that have displaced piled-up charges, like missiles which, even fired from as far away as 3 km, can pierce armor nearly a meter thick if necessary.

While there will always be room in some form for the messenger who moves about as a foot soldier until he finally yields to technology, a Continuation War signal corpsman would no longer recognize as his own the field radios, which can operate on dozens of frequencies, any more than he would the field telephone, which is now smaller than the instrument designed for home use. The lot of the wire stringer would be easier than that of his fellow corpsman years ago since a reel of field wire weighs no more than 14 kg on the back of a signal corpsman.

The real stars of the big Armed Forces equipment show held last week in Parola were the Soviet-made T-72 tank and the American ITOW antitank missile.

Efforts have been made to be extremely impartial in all procurement phases in the treatment of military equipment purchased from the East and the West. Thus last fall the tankmen left for the East and the missile firers for the West on the same day. Furthermore, they even saw to it that the train carrying the tanks and the plane that was flying the missiles in arrived in Finland on the same day. Someone has even claimed that the missiles were delayed for a couple of days in Sweden so that they would not reach their destination before the tanks.

Courses in missile use in the Soviet Union.

In neutral Finland, however, had one addition on a soldier who had taken courses in missile use in 1982, apparently.

In the Finnish Army, there are two such majors for whom it is unlikely that their "colleagues" are to be found in any other country in the world.

Maj Seppo Takala of Lahti was in Moscow in the fall of 1982 learning how to use the Soviet AT-3 "Spigot" missile (1982 antitank missile) purchased for Finland. And last year, when they began to round up the troop that was to travel to the United States to learn the secrets of the ATOW missiles (1983 antitank missile) purchased there, Takala's name was on the list again.

"Their faces certainly dropped somewhat. The Yankees looked like they had swallowed rather large pills when I told them about the missile course in Moscow," Takala laughed.

In the Soviet Union, the Finns were trained completely separately from the training given that country's own army. Officers holding the ranks of major and lieutenant colonel instructed the trainees, who appeared in civilian dress. According to Takala, the training is very consistent and businesslike.

The use of the American missiles was learned in the same course for missile firers the Yugoslav army had sponsored. Soldiers from 18 countries were at Fort Benning, Georgia, to be trained at the same time with the Finns.

Trained at their own camp, the Finns had the reputation of being particularly good students. They surprised everyone, for example, as tank identifiers. "When we had to identify Soviet vehicles, the task was an easy one since most of the vehicles are in familiar use in Finland too," Takala said.

The Finnish field uniform was an object of wonder for both the training instructor sergeants and the soldiers from other countries: Why is it white on one side? After marveling at it, they next praised the practical value of the uniform when they heard that Finland is covered with snow for a good 6 months of the year.

New Generation Unit Formed

When the pride of Finland's tankmen rubbed into the public eye for the first time, last Wednesday, we waited with interest for the hatches to open and the crew to clamber out. And when Maj Jarmo Ilvaskoski, Lt Sakari Kackman and Warrant Officer Matti Rajtinen stood at attention in front of the tank, the last of the doubts had to be believe that a certain persistent rumor did not hold true. Namely, the claim that only dwarfs would be suitable to serve as the tank's crew. All three Finns were between 170 and 180 cm tall.

The notion of the small stature of the crew of the T-72 was based on the fact that, when the tank was shown to the French defense minister, the first Westerner to see it, a few years ago in the Soviet Union, the tallest member of the tank crew was 160 cm.

The T-72 represents a new generation of tanks being built for the Soviet Army. Its armor is not just steel plates. There is a layer of composite material between two layers of steel. The composite layer stops the shrapnel of hollow-pointed projectiles used in anti-tank war, while the steel of the armor itself withstands mechanical blows.

The new tank's forward armor is too heavy for the projectiles now in use, which pierce "only" 30-cm steel. This is why the armor is reinforced, represented by anti-tank missiles in addition to the tank's main armament, is necessary.

The automatic loading device of the tank's 125-mm cannon also represents a new feature. It has made it possible to cut the number of crew members from four to three. Now the tank gunner can put the kind of shell he wants into the breech, a fragmentation grenade or two different kinds of armor-piercing shells, by pressing a button.

The tank's device for sighting in the dark as well as a laser rangefinder and an automatic fire-extinguishing system also represent new technology.

When the new tank is superficially presented, it really looks like tanks alongside the familiar old "Nikita," the T-55, and, by jinxing, it really is bigger. With the big cannon it is about a meter longer than the "Nikita" and almost a half a meter wider. So it is a wonder that it weighs 41 tons in comparison with the "Nikita's" 36.

At its first official showing the T-72 gave the impression of being really brand-new. It had arrived in Finland only 3 days before the show and it had scarcely even had a chance to operate in the field since the caterpillar track bolts still gleamed without any sign of rust flakes.

Personnel Carriers Made of "Ship Steel"

In the "ground forces decade," the 1980's, they plan to modernize the Finnish Armed Forces strike-capability component, the defense troops to be built up about the peacetime brigades. And mobility will not be achieved with trucks drafted helter-skelter into service, but with field vehicles and armored personnel carriers built for the purpose.

And in a neutral country such as ours we will probably start out with vehicles manufactured by many countries. Some of our troops will even go about with the domestic "Pasi" built by Sisu. So far a total of 50 have been ordered and built. But we know that there will be more of them since at the time, when the choice of the "Pasi" was reported, it was announced that several hundred vehicles were needed.

In addition to its two-man crew, the "Pasi" carries about an infantry squad, 10 men, at a highway speed of as much as 100 km an hour.

In the woods, of course, it moves more slowly and in water too "Pasi" is content with a respectable speed of from 2 to 10 km an hour.

The vehicle weighs 12 tons.

The bulk of it is accounted for by the armor that protects the crew and passengers from rifle-caliber fire.

Agility on Rubber Tracks

The Swedish-made "Bandvagen" Caterpillar Truck 206 represents the peak in cross-country mobility. Slightly reminiscent of an ant, the two-section "Bandvagen" carries either 2 tons of supplies or 17 men with their equipment on rubber tracks through snow, swampland or brush and swims over obstacles it comes across in the water.

The Finns have for several years had very positive experiences with this all-terrain vehicle. According to Gen Jaakko Valtanen, several hundred "Bandvagens" have been ordered.

More Amphibious Armored Vehicles

The Soviet-made MT-LB Armored Transport, which also made its public debut at the Parola equipment show, remained in the shadow of its big brother, the T-72. Weighing 12 tons, this caterpillar-tread vehicle carries 11 fighters with their equipment at as much as 60 km an hour on the highway and more slowly in the woods. The vehicle's armor appears to be related to ship steel since the MT-LB is also capable of moving in water like the other armored personnel carriers.

One member of the two-man crew drives and the other handles a bow-mounted machine gun that can be fired laterally a full 360°.

The BMP-1 assault tank also carries fighters. The three-man crew handles a 73-mm smooth-bore tank gun and one machine gun, and also transports eight fighters. Like the big tanks, the BMP-1 is equipped with a device for sighting in the dark.

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MILITARY

FINLAND

SURVEY FINDS INCREASE IN SUPPORT FOR ARMED DEFENSE

Helsinki UUSI SUOMI in Finnish 30 Mar 85 p 7

[Article: "Finns Satisfied with Foreign Policy; Determination to Defend Country Has Sharply Risen"]

[Text] Finns' determination to defend themselves with arms against any aggressor has sharply risen in 2 years time.

According to a National Defense Information Planning Committee poll, in 1982 67 percent of the respondents wanted the country to defend itself with arms, "even if the outcome should appear to be uncertain." The corresponding figure is now 85 percent.

Finns' appraisal of the handling of our country's foreign policy is nearly unanimously favorable. According to a poll commissioned by the National Defense Information Planning Committee in December, 95 percent of those interviewed support the foreign policy that is being pursued. The last time as broad support as this for the handling of foreign policy was extended was during the early 1970's.

About 2,000 adult Finns participated in the poll. Taloustutkimus Oy [Economic Survey Company] conducted it.

95 Percent Satisfied

Approval of Finland's foreign policy has fluctuated between 85 and 95 percent in the polls that have been conducted during the past 20 years. At the most less than 10 percent have made negative appraisals during that period.

There have been more favorable appraisals in the annual polls conducted since 1981 than during the late 1970's. In recent years the situation with regard to this issue has remained stable. In the poll last December 95 percent felt that our foreign policy was being handled well and 3 percent felt it was badly handled. During the 1983 poll the corresponding figures were 94 and 2 percent. The highest rate of approval for our foreign policy was in 1971 when 96 percent of all Finns felt that our foreign policy was being handled well.

The importance of the Friendship, Cooperation and Mutual Assistance Pact to Finland's international status has been judged to be more and more positive in the annual polls conducted since the 1960's. Opinions have remained nearly unchanged in recent years. In the latest poll 85 percent felt that the Friendship, Cooperation and Mutual Assistance Pact was positive, 4 percent negative and 7 percent as having no effect.

Active Approach Is Appropriate

Nearly three-fourths of all Finns feel that the present active approach to foreign policy is appropriate. This is what 74 percent of all Finns think. Fourteen percent would prefer the adoption of stronger positions and 6 percent a more cautious approach than now. The results were about the same 2 years ago.

Finnish opinions about the threat of a clash between the superpowers during the coming year have to some extent changed in recent years. The great majority have always felt that a conflict was unlikely. The threat was felt to be more probable at the end of 1981 when 30 percent of all Finns felt that the threat was probable. Last December only 11 percent felt that such a conflict was likely and 86 percent that it was unlikely.

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24 May 1985

MILITARY

FINLAND

PAPER ON PROCUREMENT INCREASES FOR GROUND FORCES

Helsinki UUSI SUOMI in Finnish 30 Mar 85 p 2

[Editorial: "Credibility Must Be Protected"]

[Text] After the effort of these past few years, surveillance over the neutrality of Finland's air space and territorial waters has been brought up to the level required by the parliamentary defense committees. Thus the focal point of basic procurements can be shifted to the ground forces. The fact is that a small country does not have the means to simultaneously build up the equipment inventory of all branches of its armed forces.

Modernization of ground forces equipment is indispensable to maintain the credibility of our defense capability. Foreign powers' observations of the level of our combat equipment have an important effect on this. A credible defense capability can through its existence alone prevent attempts to violate Finland's territorial integrity in a crisis situation.

The giddy rise in arms prices is especially a problem for the defense of small countries. On the other hand, it is worth noting that not even the superpowers can simultaneously procure the latest technology for all their troops.

For example, a modern fighter plane costs about 200 million markkas. To be sure, we have not procured such expensive planes. In Finland we otherwise assume that the finest and most expensive technology is not an end unto itself, rather that somewhat simpler solutions may often be even more serviceable, at least in Finland's situation.

We should not, however, succumb to guerrilla romanticism and imagine that we can manage with only a combination of resourcefulness and cheap solutions. This sort of naivete was a bit in the wind even before the last wars. Through harsh experiences, however, we learned, among other things, that the use of large tanks is also possible on Finnish terrain, which presupposes modern antitank defense.

The importance of credibility furthermore means that it is not enough for us ourselves to believe in some sort of cheap solution. We have to get others to believe in it too. Otherwise, in a crisis situation we may have to put it to the test to see whether we were right after all.

We must, for example, recognize the fact that we need missiles in present-day antitank defense, even though they cost about as much apiece as a small car. We also have to recognize the necessity of protected movement, which presupposes armored vehicles. A bicycle is no longer enough, nor is a farm tractor either.

The basis for our defense policy is the improbability of a large-scale, long-term attack directed against our country. Attacks made with limited areal objectives can be stopped with relatively small forces. On the other hand, a reserve force of 700,000 men who have been trained and at least fairly well armed is a factor that any potential aggressor will have to think twice about.

In the Armed Forces they work on the assumption that the core troops, the so-called defense troops, can with the capability afforded by equipment that is as up-to-date as possible move both tactically and operationally to those points where enemy forces are concentrated. Modern fire power with its missile weapons increases the effectiveness of their manpower. Constant leadership performance, which is stressed in operations of secondary importance as well, is also a key assumption.

Other troops responsible primarily for areal defense cannot, however, be left entirely without modern equipment, although for a long time they will have to and can also resort to older, but still serviceable equipment. It only remains to be seen where the new equipment will be of most benefit and where the older equipment will still do.

In equipment procurements we are a half a billion markkas short of the minimal level determined by the defense committees, which does not mean that we are in the midst of any sort of armament spiral. In making up the lag we must also take into consideration the effect of procurements on employment.

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MILITARY

FINLAND

BRIEFS

SWEDISH NAVAL MISSILES DELIVERED--The missile boat Helsinki will receive the Swedish RB-15 SF anti-naval missiles in May. They will be installed on the boat at the Turku Naval Base. At this time the "Helsinki" is still at Wartsila's Helsinki Shipyard, but it will be moved to Turku as soon as ice conditions permit. Two sister vessels of the "Helsinki" will be completed during this navigation season. A second missile boat will be turned over to the Navy from Wartsila's Helsinki Shipyard in early summer and a third will be delivered in the fall. Four missile boats have been ordered for the time being. The fourth will be completed in the spring of 1986. The gunboat Karjala will be put into operation again after a overhaul in the summer and the gunboat Turunmaa will in turn be sent in for overhaul. The service life of these gunboats will be increased by about 20 years by means of such renovations. Also their electronic systems will be modernized. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 20 Apr 85 p 17] 10576

MILITARY

ICELAND

FAVORABLE REACTION TO GORBACHEV IRBM BID DECRIED

Reykjavik MORGUNBLADID in Icelandic 12 Apr 1985 p 32

[Editorial : "Unique Missile Offer"]

[Text] At a time when the Soviets already possessed a number of mid-range nuclear missiles in Europe, Leonid Brezhnev, the Soviet Union's head of state, made a proposition to the Western nations that the Soviets would postpone, at least temporarily, any increase in the number of these missiles, if NATO plans for American mid-range nuclear missiles in Western Europe were abandoned. Of course this suggestion was not accepted. What it involved was nothing less than that the Western nations were expected to approve a Soviet monopoly on these weapons, which already constituted a direct threat to the security of the Western European nations. American officials have now made it clear that this period of time--from March 1982 to November 1983--was utilized by the Soviets to deploy 70 SS-20 missiles, involving 210 nuclear warheads.

Since that time American missiles have been transported to 4 of the 5 Western European nations which have been designated from the beginning to receive them. The Soviets have also continued to ask for negotiations with the Americans for the purpose of limiting the accumulation of weapons. As a result of these negotiations, the Soviets have not been focusing much on mid-range missiles, but have directed their greatest efforts against American research and development projects relating to defense systems in space. Over Easter weekend it came into the news that Mikhail Gorbachev, the new Soviet leader, had said that the Soviets must stop increasing the number of mid-range nuclear missiles directed against Western Europe, at least from now until November, and even longer if the same rule were to be allowed to apply to American mid-range missiles.

This offer from Gorbachev does not bear witness to any increase in the imagination generated within the walls of the Kremlin, even though a younger man has taken the leadership position there now. The offer has only been couched in the usual terms of Kremlin thinking. Just as would have been the case when Brezhnev wanted to have a monopoly on mid-range missiles in Europe, the Soviets would have the determining advantage in this area of military preparations. They are asking now to be allowed to continue this advantage with the blessing of the Western nations.

The offer has been refused by the governments of NATO member nations both east and west of the Atlantic. A spokesman for the West German government said that the offer meant nothing more than allowing the Soviets constantly to maintain ten times more missiles in Europe than the Western nations. Hans van den Boek, the foreign minister of Holland--one of the nations that has not yet received the scheduled American missiles--said, after discussing the matter with the corresponding Soviet official, Andrey Gromyko, in Moscow that the Soviets had nothing new to say in the matter.

The point of this issue is simply this: that Mikhail Gorbachev's missile proposal contains nothing new. It is a repetition of those clever catchwords that the Soviets have been wont to use in trying to bring public opinion in the Western nations around to a position that would be advantageous to them, before the NATO plans for mid-range missiles could be carried out in full. These catchwords have not succeeded in the past, nor are they doing it now. On the other hand, they have had an influence on some leftists, who want to keep their opinions prominent that the United States has at least a slight edge in its competition with the Soviet Union for the world's most dastardly superpower. This is why Gorbachev's offer was well received, of course, by those persons who spent their Easter weekend in protest marches against the military might of the Western nations.

Here in Iceland the reception given to Gorbachev's offer by NT, the propaganda organ of the Progressive Party, was what attracted the most attention. We can certainly count it as an exception, that a representative of the Western press would want to take on this role in the discussions of war and peace today, at least in the way that NT did it in its editorial column that came out last Wednesday. The realistic policies of the Western nations were labelled "fear-mongering cold war tactics," and NT also said that "for now, it looks like an accurate view of things indicates that there is more desire for peace in the East than in the West."

It is clear that the missile offer from Moscow has fallen on stony ground as regards all the responsible officials in the Western nations. When the chief campaigners in the Kremlin get around to measuring the effects of their latest efforts, though they can comfort themselves with the fact that the publication NT in Iceland took the bait this time--for what that is worth. MORGUNBLADID is of the opinion that Gorbachev's Easter message is unsatisfactory to anyone with the real desire to postpone the day of reckoning somewhat longer than the communist nations seem to be planning for.

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MILITARY

PORTUGAL

OBJECTIVES, CAPABILITIES OF ARMED FORCES REVIEWED

Lisbon EXPRESSO in Portuguese 5 Apr 85 pp 18-21

[Article by Joao Carreira Bom]

[Text] At the moment when Portugal's admission to the EEC has been announced and when one of the major presidential candidates is again being chosen from among the military chiefs, what is the real role of the Armed Forces, what do they do? Having returned to the European theater with the end of the colonial war, the Armed Forces have not undergone any major structural changes and there are those who doubt that the conditions are there for radical reorganization and an adaptation to the new realities. Meanwhile, what priorities are being set for the near future and what preparations are being made?

Faro Airport: 10 am. Carrying James Bond-type briefcases, four "executives" descend from a private jet plane, a foreign plane. They go through the legal formalities and, minutes later, in an automobile which has been waiting for them with a driver standing by, they arrive at a banking agency in the city. In a very short time, they come out again, each of them carrying a briefcase full of money in one hand and a military handgun in the other. They return rapidly to the airport, with a PSP [Public Security Police] patrol car in pursuit, but precious minutes behind.

To get around the customs delay, they create great confusion in the airport, hurling smoke bombs and tear gas grenades. The driver of the automobile boards the private plane with them. The plane has already been cleared for departure. Because of the light traffic, the control tower gives the "green light" for the plane's crew to take off. As the plane flies over Faro, the assailants are in a position to drop thousands of leaflets of a foreign revolutionary organization, thus ending a spectacular propaganda operation, regarding which the press agencies will send out reports to the entire world.

Conceived by a young naval officer, the story served as an illustration in a discussion among five former secondary school comrades, all members of the standing Navy. The discussion focused on the question: "What purpose do the Armed Forces serve in a country like Portugal?" The mere fact that it was formulated in a conversation over a glass of beer is indicative of the doubts which the young men have at the beginning of a post-colonial war military career.

It may be asked what the Armed Forces have to do with a police case. In reality, since neither the PSP nor the GNR [Republican National Guard] have the means for air surveillance, it would be up to the military to attempt to prevent the plane from departing. "It would be a good thing if the TAP [Portuguese Air Transport] had surveillance planes and a response capability that could readily cover all of Portugal's air space," an official told us.

Except for Beja, which is mostly manned by Germans, the nearest operational base is that of Montijo. A police alert to the FAP [Portuguese Air Force] would take some minutes to be transmitted and it would take a few more minutes to get planes airborne. Under the circumstances described, if everything went well, it would take at least 15 minutes for a chase plane to set out in pursuit of the assailants.

Not all the younger officers accept this case as an example of the overall inefficiency of the Portuguese Armed Forces. They argue that, in other situations, the response would be better. It would have to be better. They would like to demonstrate that, with regard to this mission, "one swallow does not make a summer." It is a natural position for anyone who joined the FAP under the influence of those films showing English pilots winning air duels against the Germans.

EEC Defects

It is understandable that officers under the age of 30 reject the "horrendous" idea that the country's military forces are not in a position to achieve their objectives because of the antiquated equipment and lack of organization, compared with the development of neighboring Spain and most of the NATO partners.

Before 25 April, when none of these officers had yet entered the Academy, the war in Africa obscured these differences. The war opened incurable wounds, certainly, but it maintained the illusion of a grandeur more favorable to barracks idealism. Whether it was the political indecision of the last decade or the lack of means to do better, the fact is that, since 1974, the Armed Forces have undergone no reorganization worthy of the name. In 11 years, there were only some organizational adjustments, despite the significant legislation of the constitutional revision. The gigantism of the Army, now completely unjustified, was maintained.

There are those who refute this viewpoint with the argument that there was a numerical reduction to 60,000 men from the 600,000 (the figure at the height of the colonial war), but one would have to admit that the difference only involved troops which were not part of the permanent staff; that is, it was only with regard to compulsory military service. Meanwhile, what can be said of the objectives defined for the Armed Forces? As to the possibility of achieving them, they speak for themselves.

In terms of the basic purpose of the military--to defend the country--we can put the objectives in four categories: (a) aggression by another state; (b) membership in NATO; (c) a threat from a group abetted by another state; and (d) an "internal threat."

Regarding the first point, the admission of Portugal and Spain to the EEC greatly reduces the importance of any notion that our neighbors have any intention of violating their western border. After 25 April, particularly as long as the Franco regime lasted, some strategists saw a potential Spanish threat to the "young democracy on the path to socialism." This concern has influenced current documents.

Aljubarrota Cannot Be Repeated

Some might argue that an attack could come from other motives: [such as] fishing [disputes]. However, if that threat did not materialize months ago, when it was even mentioned in the press, it is now becoming remote. It is certain that the Portuguese Navy was even preparing to respond to a Spanish attack to protect the fishing vessels, but the revival of such tensions, after the entry of both countries into the EEC, would be unprecedented in the European Community because the respective countries are not in the habit of turning disagreements into armed conflicts.

Aside from the improbability of the situation, it should be remembered that it would be impossible today to repeat the result of a battle whose 600th anniversary will be commemorated this year: Aljubarrota. On land, at sea and in the air, the Portuguese Armed Forces cannot compare in any way to the Spanish forces. So, with regard to the first point, [our Armed Forces] are little more than useless. According to several officers, it would be better to invest in a response to a more probable conflict, given the extent of the Exclusive Economic Zone (200 nautical miles): the intrusion into Portuguese waters of fishing fleets from countries outside the European Community.

Regarding the second point, defense within the scope of NATO, it is obvious that the Portuguese Armed Forces are currently almost useless. Even if the modest demands of the military chiefs (see below) were met, our country's major contribution would be to make its strategic space available to its allies. In fact, any general reequipment program would involve huge expenditures, exemplified by the three frigates whose acquisition the Navy negotiated 7 years ago and which cost tens of millions of contos. They would be of little consequence in any conflict which involved the joint forces of the Alliance.

It is, in fact, frustrating for anyone who is beginning a military career. It may be noted that the ineffectiveness does not concern the military alone. According to many people, it is the fate of a small and poor country. On behalf of the military institution, one of its members stated: "The Army is attracting more people now than it has for some years. More men than ever will remain 'chicos' (request to remain active after their compulsory service is completed)"

However, this does not mean that the Armed Forces have prestige; they are simply offering employment which is scarce in other areas. It is not really the utility, the guardian image, the "mystique" of the Armed Forces which is attracting the young people. The "mystique" and the guardian image are diffused in the corporative functionalism of the three services. Their utility has already been described in two of the four aspects referred to above.

Regarding the third aspect--the threat from a group supported by another country--scenarios like the Faro incident also bring the current effectiveness of the

military into question. In a case such as the attack on the Turkish Embassy (2 years ago), the Special Operations Group of the PSP proved to be more capable than the deactivated Special Forces (commandos, riflemen and paratroopers). In the Faro scenario or in any other situation in which the element of surprise was employed, the military would only be successful where the number of men was the decisive factor. According to security experts, a well-trained and well-equipped police force would suffice.

Disappointed Generals

Does this mean that, having failed to adapt to the post-colonial war era, the Portuguese Armed Forces are characterized primarily by uselessness?

The fourth point saves us from an affirmative answer. Although for different reasons, all our informants agreed. It is, in fact, the "internal threat" that gives our Armed Forces their principal reason for being today. Here, no one denies their usefulness, their influence. How else can it be explained that, in all the presidential elections, if it is a question between a military officer and a civilian, a military candidate is chosen? What other explanation is there for the efforts of the parties to promote generals who are not well known to the public, or for their reluctance to propose civilians with a well-defined image as presidential candidates? How else does one explain the words of a Social Democrat [PSD] leader to an EXPRESSO reporter, that the generals are very unhappy with the administration of the country and that within 2 or 3 years the conditions might be ripe for a coup d'etat?

It is obvious that, when the military theorists refer to the "internal threat," they take care to note that they are speaking of threats to democracy and never of the appetite for power at any price. One cannot legitimately attribute intentions to those who have never explicitly demonstrated them, but it would not be going too far to note that many military coups have owed their beginning to a loss of privileges in the Armed Forces. It began this way on 25 April. Although the military are constitutionally subordinate to them, many civilian politicians always think twice before they propose a more rational use for the 7 percent of the State Budget which is allocated for military expenditures. Thus, in various circles, there is some doubt about the effectiveness of a series of legislative measures in process, which will be discussed in greater detail elsewhere in this article.

Like it or not, although the admission to the EEC is apparently a sign to the contrary, Portuguese democracy is still a "guarded" democracy.

Prospects for the 1990s

In the brief space of a few months, the government sent to the Assembly of the Republic--and the latter approved--a series of bills aimed at transforming the Armed Forces (laws, statutes, concepts) and promised to present others before long which would complement the three dozen in the so-called "military package."

The State Budget [OE], as announced, allocates about 80 million contos this year (about 7 percent of the OE) for defense, two thirds of which will be spent on personnel and only one eighth on materiel and equipment.

Meanwhile, military chiefs are complaining about the shortage of funds and are demanding more resources, while the executive branch is asking the allies for assistance, arguing that, without it, Portugal will not be able to participate effectively in the strategic defense programs and will not be able to strengthen its "deterrent power."

It is asked, what Armed Forces does the country need, and for what ends? Neither the civilian nor the military leaders can answer this question yet, although they promise to have an answer before long. The chiefs of staff say their studies are almost ready and the Defense minister wants to hurry up the presentation of the Design for Military Strategy, but the examination of the question as a whole still provokes considerable controversy in the various branches.

The main issue seems to be the definition of the structure of the Armed Forces, as well as the type of staffing and reoutfitting required.

Having returned to the European theater following their intervention in the colonial war, the Armed Forces have not undergone any major structural changes, although the total number of men has naturally been gradually--but drastically--reduced.

The first glimpse of reorganization emerged in 1976, by decision of Costa Gomes, then CEMGFA [Armed Forces Chief of General Staff]. The general structure was maintained, however, and there are those who question whether the current chiefs have a real possibility of making radical changes now that the Armed Forces are entirely subordinated to the civilian power.

Defense Objectives

New missions were assigned to the Armed Forces within the mainland-maritime framework which is now established in the Strategic Concept of National Defense.

Built around the concept of the Portuguese strategic triangle, drawn between the continent and the autonomous regions, the defense objectives have, as accepted priorities, the independent deterrent capability against internal and regional threats and the assumption of Portugal's international responsibilities and its participation in NATO.

This last priority was, incidentally, the first to be fulfilled by the Armed Forces when, in the mid-1970s, NATO conducted an overall assessment of its forces for the purpose of assigning tasks to each of the member countries.

The decisions made by the Alliance at that time led to the formation of the Independent Joint Brigade, stationed in Santa Margarida, and to the Portuguese Government's later decision to acquire (with financing from its allies) three new frigates for the Navy.

Both decisions are disputed by some military sectors, which doubt their timeliness or their real priority. There are even those who argue that the larger commitment assumed by Portugal was unnecessary.

However, although these factors have some influence on the debate over the reorganization and reoutfitting of the Armed Forces, there does not appear to be any real controversy regarding the defense goals.

What Changes?

The controversy arises over the changes needed in the Armed Forces, namely with regard to the concept of the systems of forces according to the strategic goals which are being defined.

Aside from the specific requirements of each branch, there is a question as to what balance should be sought among the land, sea and air components of the system and--linked to this--the distribution of missions and resources in accordance with the defense objectives.

In this matter, the clash of opinions seems to revolve around three basic themes: the Army wants a developmentalist reorganization of the Armed Forces, with some sectors pointing to a certain "expansionism" of that branch with regard to the assignment of defense responsibilities; some military leaders subscribe to the option of developing the air-naval component of defense; and other sectors, specifically in the General Staff, lean toward an "integrationist solution"; that is, a prior coordination of concepts and systems based on an evaluation of the service branches and their characteristics.

There has been a succession of studies, articles and speeches on these themes by their respective subscribers. Their number and the depth of their content have corresponded to the intensity of the debate which the issue has provoked.

The individual desires and interests of each of the branches naturally come into play in the formulation of defense theories, and hence many people foresee how difficult it will be for the men who will ultimately have to make the final decisions: CEMGFA Lemos Ferreira, the defense minister and the secretary of state for defense.

A government official told us, in this regard, that the executive branch cannot take the place of the military chiefs in drafting the reorganization proposals, although it can collaborate with them. He added, however, that "if the proposals from the general staffs do not take into consideration some essential concepts regarding the characteristics of the capabilities and operationality of the Armed Forces, then it is within the authority of the government to assume further responsibility," thus insuring a balance and all the consensus possible among the service branches.

Signs of Controversy

The works in progress in the various services point to a concept which is being spoken of for the first time: the General Defense Plans, which the authorities want to affirm as the nucleus of the future integrated system.

For the time being, however, other concepts are being thrashed out among the military planners and strategists.

The dominant current in the Navy naturally argues that the sea has become the most important "territory" strategically, not only in national terms, specifically the mainland island link and the Exclusive Economic Zone [ZEE], but also in regional and international terms, with regard to vigilance and defense of the lines of maritime communication. Among other things, the Navy proposes that Air Force means most suited to maritime operations be assigned to a broad defense program, while the Army would be limited to land and coastal defense.

Other Navy sectors do not entirely agree with this idea, namely with respect to the ZEE. They say that its defense only takes in some zones and not its total extension because, they assert, "there is nothing to defend." They do not attribute any special significance to the protection of sea lanes, arguing that, in the event of a conflict, Portugal will not have the capacity, on its own, to defend itself and the neighboring areas as well.

The issue of the full exercise of the independent defense of Portuguese territory is, incidentally, one of the reasons for the controversy over the Armed Forces reorganization plans. Some say that Portugal must fully guarantee its own defense and not leave any of it up to its allies, and others take a less radical position.

In this regard, one case much mentioned in military circles is the defense of the islands in the event of a crisis, specifically air defense, which the Armed Forces have not been able to guarantee for some time. A high military official declared: "The allies serve to defend us in matters of security. We have to defend ourselves from the allies in matters of sovereignty."

Regional Balance

This same idea is shared by army chiefs, who say it is up to Portugal to define what is suitable or not for our allies to defend, in terms of strategy.

These chiefs cite theories defended in the writings and speeches of Brig Gen Loureiro dos Santos, who advocates an "expansive army." They claim that the maintenance of a regional balance is another priority which must be respected. Specifically, they say that the dynamics of zonal conflicts cannot be ignored, since they represent latent threats. In this regard, they cite the possible problems originating in North Africa, as well as those that might come from Spain.

According to its defenders, the conception of such an army provides for systems with special forces capable of rapid deployment (airborne) and of anti-tank and antiaircraft combat.

For those who subscribe to the "expansive army," the current distribution of manpower and funding among the various services should not be maintained. They hold that the Navy and Air Force personnel should be cut back and the Army should be increased from the current 41,000 men to 50,000 men.

Moreover, their proposal points toward a gradual inversion of the percentages in the budget allocation planned for the Army, with a larger proportion going for equipment and less for personnel (with the goal of modernization), which would naturally imply a revision of the manpower structure.

Difficult Transformation

The question of the troop strength of the Armed Forces and whether it is equal to the defense goals has also given rise to debate among the branches. It has been noted particularly that, after decolonization, the reduction in personnel created an imbalance between the Army and the other services branches.

The Armed Forces currently have about 68,000 men, 23,000 of whom form the permanent roster. The Army has the largest contingent, currently about 41,000 men, and a larger budget than the other branches.

The Armed Forces budget for the current year gives the Army 43 percent of the total allocation (however, the army is responsible for most of the tasks of recruitment, mobilization and instruction in the various branches and it also pays the reservists), while the Navy and the Air Force each take up 25 percent. This disproportion is criticized even more because it is precisely the Army which has advanced the least in technology and military capacity, and has lagged behind its European counterparts in development. Although some steps have already been taken, several officials are skeptical about the real possibility of basic changes without any change in the policy to be followed by the Armed Forces as a whole.

Reduction in Compulsory Service Time

Linked to the matter of troop strength is that of the fulfillment of military service, specifically compulsory military service.

Recently in the spotlight, with the parliamentary debate and approval of the Conscientious Objector Statute (an area in which some military chiefs feel the government gave away too much), the debate on the system and duration of military service apparently does not excite many disagreements in defense circles.

If, on one hand, the introduction of a voluntary system, not provided for in the constitution, would increase the cost of the Armed Forces, because the professional contingent would be larger and there would be a greater danger that it would be used to political advantage, on the other hand, the various hierarchies and the defense chiefs themselves feel it is impossible to make any large reduction in the period of service.

Specifically, they claim that from the technical standpoint and that of the return on the training offered to the recruits, there should be a minimum period in which the training and the instruction in each specialty would be put to use.

Although the minimum duration of compulsory service proposed by the various branches varies from 15 to 18 months, some sources felt the government should opt to reduce the period to 15 months.

As stated above, the issues of reorganization and reequipment of the Armed Forces are contingent upon the overall assessment of the priorities with regard to the defense objectives, which necessarily involves the approval of the Concept of Military Strategy.

Table 1: Membership in the Armed Forces

<u>Type</u>	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Total</u>
Permanent Roster	9,160	8,360	5,980	23,500
Complementary Roster	2,390	180	480	3,050
Enlisted men	29,670	6,080	6,500	42,250
Overall Total				68,800

Table 2: Reequipment of the Armed Forces for the 1990s*

Navy

- Acquisition of five NATO frigates.
- Modernization of three frigates for antisubmarine capability.
- Modernization of four corvettes for antisubmarine capability.
- Acquisition of minelayers and mine sweepers.
- Acquisition of oceanic patrols.
- Acquisition of more customs launches.
- Modernization of the three Allacor-class submarines.

Air Force

- Acquisition of P-3 Phantom planes for maritime surveillance and patrol.
- Acquisition of new Hercules C-130 transport planes.
- Acquisition of the second squadron of A-Corsair planes.
- Replacement of the current Ch'pmunk training planes.
- Development and improvement of infrastructures, specifically at the air bases of Ovar, Montijo, Beja, Porto Santo and Lajes.

Army

- Changes in combat vehicles, as well as the Chaimites.
- Acquisition of tactical and all-terrain vehicles.
- Modernization of vigilance and communications systems, with systems for electronic warfare.
- Modernization of antiaircraft artillery, with the introduction of new technologies (ground-air missiles).
- Acquisition of ground-ground missiles.
- Acquisition of means of protection against nuclear, biological and chemical warfare.

* As explained in the text, the reequipment program depends on some overall definitions now in preparation. These items, priorities which have been requested by the service branches, are conditional on approval of those definitions.

The Armed Forces have another legal tool available to them, however, which not only establishes the priorities but also establishes a period of several years for which the defense options will be set.

This is the Law of Military Programming, which the government counts on presenting to the parliament next October and which will constitute a commitment for this administration and others to come, obligating them to include allocations as agreed upon with the Armed Forces in the successive budgets.

6362

CSO: 3542/166

ECONOMIC

AUSTRIA

INCREASE IN TRADE, CREDITS TO EAST EUROPE

Zurich NEUE ZUERCHER ZEITUNG in German 21 Mar 85 p 17

[Article by gr.: "Austria's Expensive Trade With the East--Unfavorable Export Structure and Heavy Credit Requirements"]

[Text] After some reverses, Austria has once again been able to make some progress in 1983. It was able to profit from the greater latitude in export trade which the East bloc was once again able to establish by strict consolidation, after the debt crisis of the early part of the decade.

Vienna, 19 March--According to a new study by the foreign trade expert of the Institute for Economic Research, Jan Stankovsky, the rates of increase of Austrian trade with the East are just as impressive, with regard to the still relatively modest requirements of COMECON, as the volume of trade with the East measured by East trade relationships of the other Western industrialized countries. However, the most recent export successes and market share gains could be achieved only because of above-average Austrian credit commitments to the East bloc which Austria, unlike other Western states, did not interrupt after some East bloc countries had difficulties in meeting their payments at the start of the decade. However, the heavy credit commitment serves to finance exports of structurally varying quality; it is likely that that in some lines of business it impeded the structural process of renewal rather than to have promoted it.

A Tradition of Large Exports

According to the study, Austria has been traditionally strongly represented in the markets of the Eastern states. Its share of the industrial states exports to the East is approximately 5 percent, as compared with a 1.4 percent share of their total exports. Austria's market share is particularly large in Hungary, in the CSSR and, lately, also in the GDR. Austria's relative share in exports by the industrial states to the USSR is 2 to 3 percent. During the 1960s and 1970s there was a considerable reduction in Austria's trade with the East; however, this has since been remedied, particularly due to exports to the USSR. Apart from the USSR, market share increases were concentrated on the GDR, whose largest Western trade partner Austria has become by increasing its market share by 20 percent to double that of the next largest, France (disregarding German-German trade); also, on Poland.

As to Hungary, Austria is its second largest Western trade partner, second only to the FRG. Export increases to the East bloc were 13.1 percent in 1983 and 13.7 percent in 1984 on the average, as compared with overall exports. The crucial factor in this expansion were deliveries of industrial facilities for major projects and ship building products.

Austrian imports from the East bloc have increased steadily since early 1983; they grew by 25 percent in 1984 at almost double the rate for overall imports. Austria has a negative trade balance: in 1982 it was 7.4 billion schillings, in 1983 3 billion schillings, and 1984 7.5 billion schillings, mostly due to the trade deficit with the USSR (7.5, 4.1, 5.6 billion schillings respectively). In the past year there was once again a trade deficit of almost 2 billion schillings with the small Eastern European states (apart from the USSR).

Unfavorable Product Composition

According to Stankovsky, the diagnosis of an unfavorable product composition of Austrian exports to the East is valid in relation to Austrian exports to other regions as well as in comparison with other industrial states' exports to the East. As an example, the study cites the fact that last year finished goods, having a 40 percent share of exports to the East, were by far the largest group of merchandise; in this group, 23 percent of steel products were exported to the East. However, this constituted a mere 9 percent of total exports. In addition, the product composition appears to have deteriorated over the years; even high-value goods have suffered a reduction. The study states that steel and agricultural product sales have increased; however, the machinery industry, which had sold one-fourth of its output to the East bloc in the early 1960s, sold only one-tenth of it in 1984. Similar conditions exist in the chemical industry. The preponderance of basic materials in East exports caused Austria to become one of the main sources for the East bloc of building materials, paper, steel, non-ferrous metals, metal products and dyes.

Bad Treatment for the Creditor

On the other hand, East bloc purchasers appear to buy state-of-the-art capital goods from Austria only in exceptional cases; and not for reasons of export restrictions. According to a US source cited by Stankovsky, only 30.4 million schillings' worth of Austrian high-tech was exported to the USSR in 1981; this constituted a mere 6.6 percent of finished goods export to the USSR. Swiss high-tech finished goods exports to the USSR for that period amounted to 39 percent; Swedish, 28 percent and German and French, 17 percent each. Compared with export volume, Austrian export credits to the East bloc grew disproportionately.

The main beneficiary of this was the GDR, which now occupies first place among Austria's East bloc debtors with a gross debt of 35 billion schillings for 1983, an increase from 24 billion schillings in 1981. The USSR's debt to Austria increased even more, from 14 to 30 billion schillings. Overall East bloc debt to Austrian banks has grown from 120 to more than 139 billion schillings between 1981 and 1983. Including trade credits, which can only be estimated, gross East

bloc debt may have increased from under 125 to more than 169 billion schillings; by the end of 1984 it may have exceeded 190 billion schillings. At the end of 1983, Austria's gross East bloc credits among Western banks amounted to 14.5 percent (net 15.9 percent). This market share was about three times the size of the Austrian share of OECD exports to the East. This despite the fact that Austria is a net capital importer and that the East bloc gains hard-currency surpluses from its trade with Austria. It appears, however that these surpluses are being set aside and used for purchases in third markets.

However, Vienna has hardly any choice but to make the best of a bad deal--without the disproportionally credit-supported exports to the East, the state-owned industry would be in even worse shape than it is now.

9273

CSO: 3620/328

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

LIMITED GAINS OF GOVERNMENT'S RECOVERY POLICIES ANALYZED

Hamburg DIE ZEIT in German 15 Mar 85 pp 25, 27

[Commentary by Peter Christ: "At Least They Didn't Wreck Anything"]

[Text] One really has to be endowed with the kind of selective perception characteristic of professional politicians to arrive at such unequivocal assessments of the government's economic policies at halftime as Martin Bangemann of the FDP and Wolfgang Roth of the SPD.

The assessment by Minister of Economics Bangemann is extremely positive—to no one's surprise. "Starting in 1985, the economic upturn in the FRG is entering upon its third year. The new market economy orientation of the government's economic policy instituted in late 1982 has thus passed the test."

His opponent Roth, who speaks for the SPD on economic matters, has an entirely different view of the situation—to no one's surprise. "Although the government has been conducting a propaganda campaign hailing an upturn for the past 2 years, we have now reached the highest unemployment levels since the founding of the FRG."

Both Bangemann and Roth are convinced that the government has had a decisive impact on the course of the economy during the first half of the current legislative session. But the fact is that the main economic indicators would look just as good or bad today, if there had not been a change of government. When the CDU and the CSU called on the voters during the election campaign in the spring of 1983 to vote for the economic recovery, that recovery had long since started. The CDU/CSU and the FDP were merely lucky enough to be able to take over the reins of government at the beginning of an economic cycle.

Many of the positive as well as the negative trends correspond to conventional economic models and are therefore not the result of meaningful economic planning on the part of the government. Thus, it is practically normal for inflation rates to be low, investments to be moderate and unemployment to be relatively high during the first 2 or 3 years of an economic recovery.

Whenever the good results cannot be attributed to one's own efforts, political economists tend toward citing Karl Schiller, who was not only a successful minister of economics but who is still active as a professor of economics. And this very man Schiller once said that economics is 50 percent psychological. Otto Graf Lambsdorff (FDP), the former minister of economics who helped initiate the changeover in the Bonn government, is now trying to attribute the economic recovery to psychology. Lambsdorff believes that the population simply had confidence in the new government which is why people saved less and spent more on consumer goods and so got the economy moving again at the start of 1983. The statistical evidence seems to support that claim.

The only thing is that this particular phenomenon has long been known to economists by the somewhat cumbersome term "real monetary effect" which becomes operative whenever the inflation rate declines. There is no need of a new government to bring it about.

No, there are more important reasons why the economy got going again than the fact that a new coalition was formed. The Bundesbank relaxed its monetary policy; interest rates went down slightly; the virtually unstoppable rise in the value of the dollar invigorated the German economy just like a successful economic program would have and the labor unions are being extremely modest in their wage demands.

Now if the share of the conservative-liberal government in the slight economic recovery is quite modest, there is no reason to conclude from this that its economic policy has been wrong. The only thing is that it is taking longer for it to get going. In that sense it was less than thoughtful of CDU General Secretary Heiner Geissler to provide BILDZEITUNG with a headline shortly after the 1983 election which said: "Geissler Says One Million Fewer Jobless in Two Years."

Government, a Disturbing Influence

Even in the absence of Geissler's thoughtlessness, the hopes pinned on the new government were high enough. Chances are that it was voted into office most of all because of its purported economic policy know-how. And, it played the part of the rediscoverer of the market economy which would, in Chancellor Kohl's words, "set the stage for renewal."

Kohl also said in which direction he intended to go: "away from more government and toward more market; away from collective burdens and toward personal achievement; away from ossified structures and toward more mobility, individual initiative and increased competitiveness."

In this regard, the new government was following a course suggested for years by the council of economic advisers for improving the overall conditions of the economy. This type of economic policy which also goes by the name of supply side economics places its faith in the ability of the market to achieve optimal economic results. But when the economy does not function properly, then there is something wrong with the mechanisms of the market economy which in and of themselves operate without any friction. In the view of the supply siders, the disturbing influence is the government which—as Helmut Kohl announced in his government statement—is to be brought back "to the core of its responsibilities in order that it might really fulfill them in a reliable fashion."

The social democrats and the more enlightened labor unionists do not question the basic aspects of this policy because declining investment, shrinking business profits and shrinking corporate capital reserves as well as increased unemployment did indicate that mistakes were made which are in need of correction. And the dramatically spiraling deficits in public budgets were also calling for energetic counter-measures.

A number of the steps introduced by Finance Minister Gerhard Stoltenberg, Minister for Labor and Social Affairs Norbert Blum and Minister of Economics Otto Graf Lambsdorff were applying pressure on just the right spots. Social expenditures were drastically cut in the face of understandably strong opposition of those affected—the labor unions and the political opposition. Business taxes not related to earnings were cut and improved write-off opportunities were introduced. The consolidation of government finances proceeded more rapidly than the government itself had anticipated. This year, the communities will be achieving a budget surplus. The government has adopted plans for a tax reform in 1986 and in 1988 which is to lower taxes by about DM 20 billion.

But those who had expected the coalition to pursue a picture book supply side policy were soon disappointed. Within the space of a few months, industry and the associations were becoming unhappy, since they had expected more from "their" government. There are some large gaps opening up between the talk about unleashing the economy and lowering taxes for the man in the street and the actual deeds of the government.

Thus it was by no means only due to Stoltenberg's thrifty management that the federal budget got back on track. With the help of the rise in the value-added tax, the supplemental tax since approved by the constitutional court and the three increases in the old age pension tax, Stoltenberg also increased his own revenue receipts and so relaxed the pressure on the budget. With greater alacrity than its predecessors, this particular government has been dipping into the coffers of the Bundesbank and in 1983 alone pocketed some DM 11 billion in Bundesbank profits. While still in the opposition, the CDU/CSU had complained bitterly about this method of relieving pressure on the budget. Based on Bundesbank

estimates, the government increased its receipts by some DM 20 billion in 1984 alone. The CDU/CSU and the FDP have since lost sight of their promise to lower the taxpayers' burden. According to figures compiled by Bielefeld economics professor Werner Glastetter, the 1984 tax burden of the average worker climbed to 45 percent of gross earnings—the highest percentage since the end of the war.

Lack of Priorities

This trend does not at all gibe with Helmut Kohl's own goal of "away from collective burdens and toward individual achievement." And this will be affected very little by the tax relief for 1986 and 1988 which the chancellor characterized bombastically as usual as the "greatest tax reform of all time." In 1988, the average citizen will be paying exactly as much in taxes on every additional mark he earns as he did in 1982. "This tax increase flies in the face of everything we agreed on," Graf Lambsdorff bitterly complains. Lambsdorff, the economic policy spokesman of the FDP fraction, now oversees the actions of the government with a critical eye.

Lambsdorff has not been able to discover any overall CDU/CSU plan for economic policy. "The CDU/CSU today quite obviously lacks a consistent idea of the required course of its economic policy," the distinguished NEUE ZUERCHER ZEITUNG wrote. "The 'sons and grandchildren' of Erhard may well be consistent in their support for a variety of group interests; but when the time comes to agree on priorities in the great popular party, the CDU, then the trouble starts."

In September 1982, the new coalition started things off with a crash program for which it would have lambasted the SPD government. With the help of huge subsidies totaling some DM 8 billion it meant to get the housing industry back on its feet and secure 200,000 jobs in the bargain. The program met with initial success of course and the Springer combat newspapers BILD and WELT were quick to announce the rapidly rising number of construction permits so that these would reach the voters in time for the 6 March 1983 Bundestag election. Today, the construction industry is worse off than ever: some 400,000 construction workers are either out of a job or working part-time.

Contrary to its avowed aims, the government, instead of cutting subsidies, approved a DM 3 billion payment to help the steel industry weather the crisis it was in. The ailing Saarland steel firm of Arbed Saarstahl was pumped so full of tax revenues that it might just as well be state-owned. And when Franz Josef Strauss appeared in Bonn with the Bavarian Farmers League president in tow, Finance Minister opened the state coffers one more time and paid out a total of some DM 20 billion to the farmers.

Lambsdorff has found that Stoltenberg is nowhere near as thrifty as he makes out whenever CDU/CSU politicians start asking for money "with family policy having become the magic word which opens all doors." The most recent example of this was the education subsidy to be paid out to young mothers or fathers, a new idea spawned by Minister for Youth, Family and Health Heiner Geissler. From the family policy point of view the move is of doubtful value and as for the promise to cut subsidies and social expenditures, it just does not fit at all.

Although there is a great deal of confidence voiced in many speeches in the blessings of private initiative, the government tends to move very hesitantly whenever talk gets around to returning state-run enterprises to private ownership. Up to now, the government has only parted with a sizable portfolio of Veba stock. The partial privatization of Lufthansa, on the other hand, is being fought every step of the way by amateur pilot Franz Josef Strauss.

Hidden Weaknesses

Just like Strauss, Baden-Wurtemberg's CDU Minister President Lothar Spaeth also seems to think that the government as the best entrepreneur of all. Making massive use of tax revenues, he is luring private investors into branches of the economy which the government recommends as being future-oriented. This brand of techno-mercantilism (as Wolfgang Roth has called it) does not fit in with the promise contained in Kohl's government declaration that he would lead the state back to the core of its responsibilities.

Many of the weaknesses of the government's economic policy are being obscured by the relatively favorable economic situation. Experts from different camps such as Cologne economist Prof Hans Karl Schneider, a member of the council of economic advisors, and Gernot Mueller, an economist working for the labor union's institute of economics and social science, think that chances for a longer-lasting recovery until 1987 are good.

But there is serious doubt about whether the growth rate over the next 2 years will be sufficient to bring unemployment down to acceptable levels. "We cannot even be sure that we will be able to resolve the labor market problems within 5 to 10 years with this present policy," says Dieter Mertens, who heads the institute for labor market and occupational research and also sits on the council of economic advisors. "We need 10 years of continuous growth at a rate of four percent to get rid of unemployment," he says. "But that cannot be done."

And Lambsdorff warns that "we cannot afford to move into the next recovery phase with two million unemployed." Lambsdorff deplores the fact that the unemployment problem is no longer viewed as the cardinal issue. Both the government and the business community, Lambsdorff says, are "demonstrating an unjustified measure of self-satisfaction."

Meinhard Miegel, who runs the Institute for Economic and Social Policy which surely is not hostile to the CDU, feels that there are no grounds for the government to be self-satisfied. "There is no way of telling that the government has an economic policy," Miegel says. "Its greatest achievement is that it has not wrecked the recovery."

The "Changeover" in a Statistical Light

(1)	Jahr	1979	1980	1981	1982	1983	1984
(2)	Veränderung des Brutto- sozialprodukts ge- genüber dem Vorjahr (in Prozent)	4,0	1,9	-0,2	-1,1	1,3	2,6
(3)	Arbeitslose (Jahresd. in 1000)	876	889	1272	1833	2258	2270
(4)	Arbeitslose (in Prozent)	3,7	3,7	5,3	7,6	9,3	9,4
(5)	Defizite der öffentlichen Haushalte einschließlich Sozialversicherung (in Milliarden Mark)	37,79	46,66	59,46	55,05	45,53	40,92
(6)	Inflationsrate aller privaten Haushalte (in Prozent)	4,0	5,5	5,9	5,3	3,0	2,4
(7)	Saldo der Leistungsbilanz (in Milliarden Mark)	-11,1	-28,6	-13,1	8,7	10,3	17,9
(8)	Saldo der Handelsbilanz (in Milliarden Mark)	22,4	8,9	27,7	51,3	42,1	54,0
(9)	Insolvenzen von Unternehmern und Freiberuflern	5 483	6 315	8 494	11 915	11 615	12 018

Key:

- | | |
|-------------------------------|-------------------------------|
| 1. Year | 6. Percentage of inflation |
| 2. Percentage change in GNP | rate for all private |
| 3. Annual average of unem- | households |
| ployed in thousands | 7. Balance of goods and |
| 4. Unemployed in percent | services in DM billions |
| 5. Government budget deficits | 8. Trade balance in DM |
| including social insurance | billions |
| in billions of DM | 9. Business and self-employed |
| | bankruptcies |

9478

CSO: 3620/324

ECONOMIC

ICELAND

PARLIAMENT DEBATES GOVERNMENT'S 1985 BORROWING PLANS

Increased Foreign Borrowing

Reykjavik MORGUNBLADID in Icelandic 2 April 85 p 38

[Excerpts] Eyjolfur Konrad Jonsson (SJ), chairman of the finance and commerce committee, presented yesterday the committee's position on plans for borrowing included in the 1985 proposed budget. The following is an excerpt from the committee's coalition majority's position paper:

"The 1985 budget shows a 302-million kronur increased need for foreign borrowing by the treasury. This increase includes 295 million kronur for the A department and 7 million kronur for the B department. The increase for the A department is mainly due to operational deficits. The B department's increased need for borrowing results from a 5 million kronur grant to the Housing Authority for economic research and 2 million kronur for Post and Telecommunications to make up a shortfall in earlier estimates for borrowing needs.

"Recent government policy has been to judiciously limit foreign borrowing as far as possible. The treasury's improved position last year in addition to plans for tighter tax controls should make a 750 million kronur reduction of foreign borrowing for the treasury's A department possible. At the same time borrowing for the Electric Authority will be reduced by 6 million kronur through reduction in operations, making the Authority's amount of foreign borrowing equal to its foreign loans repayment obligation of 169 million kronur. Borrowing for electric power development is reduced by 316 million kronur, from 1.2 billion to 884 million kronur. This decision means that the fifth stage of the development at Kvislir will be postponed indefinitely and the Blanda development operations will be slowed as much as possible this year without altering the present plans for the first generator to be operational by 1988. The 884 million kronur loan for electric power development will include 516 million kronur for the Blanda development operations and 368 million kronur for other developments.

Finally, foreign borrowing for private firms will be limited to 1.5 billion kronur in 1985, a reduction of 336 million kronur from an earlier estimate. New regulations and plans for foreign loans, including constraints on banks' loan guarantees, are expected to result in reduced borrowing. The plan does

not take into account the possibility of increased borrowing on account of individuals being permitted to obtain foreign loans privately, since no guarantees of such loans will be forthcoming either from the banks or the government.

"Taking the committee's proposed changes into account, total borrowing will amount to 9.303 billion kronur, including 2.393 billion kronur domestic loans and 6.91 billion kronur foreign loans. These proposals are based on a more realistic estimate of domestic monetary sources than the original proposed budget. At the same time foreign borrowing has been reduced by almost 400 million kronur from the original estimate for 1985."

Foreign Debt Situation Summarized

Reykjavik MORGUNBLADID in Icelandic 2 April 85 p 38

[Text] The Upper House's finance committee's representatives of the Social Democratic Party (A), People's Alliance (AB) and Women's List (SK) have presented a position paper on the proposed 1985 budget. Excerpts from this paper follow: "Total foreign borrowing is now estimated at 6.915 billion kronur after a reduction of 316 million kronur due to reduction in power development operations besides already mentioned show of cuts amounting to 750 million kronur and 336 million kronur for private loans. In spite of this show, foreign borrowing is only reduced by 385 million kronur from the original estimate presented at the end of 1984. The logical conclusion is that the borrowing estimate has actually increased since the government parties announced a planned reduction in foreign borrowing.

"When the coalition came to power the government's goal was to limit the national long-term debt to 60 percent of the national production. At the end of 1983 the percentage was 60.6 and 61.9 at the end of 1984. The Central Bank estimates this percentage to be 63.9 at the end of 1985, based on plans for foreign borrowing according to the proposed budget and on an estimated 0.7-percent increase in national production--this in spite of the juggling with figures intended to create the illusion of reduced total foreign loans. "The committee minority considers the Icelandic nation's most urgent need to be reduction in foreign borrowing, limiting such borrowing to the financing of absolutely essential and really profitable operations. Half of Iceland's long term foreign debt has gone to finance power developments. It is now clear that Iceland's future power needs have been over-estimated. Financing power developments beyond the consumer market is not profitable without immediate on-the-spot users generating foreign currency. The minority's opinion is therefore that still further reduction in power development operations are in order."

Foreign Borrowing in 1985

As reported in parliamentary news in this paper, the loans budget bill came out of committee yesterday and was debated in the Upper House. According to

a table accompanying the coalition members' paper, total estimated borrowing in 1985 is a little over 9.3 billion kronur, including 6.91 billion kronur foreign loans.

Domestic borrowing is mainly based on pension fund sources, or 1.225 billion kronur, with 400 million kronur obtained by issuing savings certificates, 200 million kronur through banks purchasing notes, and 568 million kronur through various other domestic sources.

Foreign debts could cost up to 24 percent of estimated export profits in 1985. This means that almost every fourth fish caught and processed for export "gets lost" in the foreign debt morass. Same is true for other export goods.

Details of Bill

Reykjavik MORGUNBLADID in Icelandic 2 Apr 85 p 38

[Text] According to proposed changes to the 1985 loan budget 287 million kronur will be borrowed from abroad in order to repay loans taken by the Housing Authority in 1984 and a foreign loan of 80 million kronur will be needed for redemption of government savings certificates.

The Althing's Upper House's finance and commerce committee's majority consists of Eyjolfur Konrad Jonsson, Egill Jonsson, Valdimar Indridason and Jon Kristjansson. The committee majority has proposed the following changes to be government's loan budget for 1985:

Total amount the finance minister is authorized to borrow for the treasury in 1985 is reduced from 2.489 billion to 2.236 billion, according to article 1. The National Power Authority's borrowing limit for 1985 is reduced from 1.2 billion according to the bill to 884 million kronur.

The Geothermal Power Authority of Akranes and Borgarfjordur's authorized amount for borrowing (for operations and loan adjustment) is increased from 65 million to 85 million kronur.

Two items are added for geothermal development purposes: Akureyri Geothermal Authority is authorized to borrow 140 million kronur and Siglufjordur Geothermal Authority is authorized to borrow 6 million kronur. The National Economic Development Authority's borrowing limit is increased from 942 million kronur to 1.442 billion kronur. The Export Loan Fund is authorized to borrow 70 million kronur. This is a new item. The committee majority's changes include authorizing the finance minister to guarantee with treasury funds a loan of 287 million kronur or the equal amount in foreign currency taken by the National Housing Authority in 1984. The finance minister is also authorized to employ the same kind of guarantee for a loan of 80 million kronur or the equal amount in foreign currency taken by the treasury for relending purposes in 1984 in order to redeem the treasury's older savings certificates.

Paper on Renewed Inflation Dangers

Reykjavik MORGUNBLADID in Icelandic 3 Apr 85 p 30

[Editorial: "Inflation and Interest Rates"]

[Text] High interest rates influence economic development all over the world. This cannot be blamed on government policy, since the largest money markets in the world are influenced by free market forces. Two factors of supply and demand are particularly influential in driving up interest rates:

In the first place there is a cause and effect relationship between inflation and interest rates. Inflation was experienced in many parts of the world in the beginning of the 1970's and peaked after the increases in oil prices 1973-1974. The frequent alternating increases in prices and wages in this country along with other peculiarly Icelandic conditions which have led to Europe's greatest continued inflation ever since 1971 have also had an effect. The steadily increasing inflation eroded people's faith in savings which became practically nonexistent for years, at the same time encouraging spending as every day that passed brought less buying power for the earned krona. In the second place ever-increasing demand for financing by state and local government had had an effect here as in other countries. Ceaseless expansion of government expenditures along with governmental interference in the national economy has enormously increased state participation in the disposal of total national earnings in many countries.

Shrinking domestic savings, which decreases the money supply, inevitably influences interest rate development. So does increased competition between government, private businesses and individuals for a limited money supply. It is on the other hand debatable whether the present form of interest rate indexing is the proper measure for determining the cost of borrowing. Central Bank President Johannes Nordal writes about interest rates in a recent editorial in FJARMALATIDINDI (FINANCE NEWS) and says verbatim: "In order to make possible increased domestic money supply along with guaranteeing stable and moderate real loan interest rates the reduction of inflation is all-important. Only inflation control can prevent the frequent crashes of wages and prices typical of economic development in this country for many years. The realization of the importance of healthy financial markets for the prosperity of both individuals and businesses and the understanding of the relationship between real interest rates and price development should play a significant role in showing both labor and employers the way to a solution of their differences."

Living Standard Declining

Reykjavik MORGUNBLADID in Icelandic 3 Apr 85 p 30

[Editorial] Few if any countries are as dependent on international trade as Iceland is. We export to foreign markets nearly all our production. We import the majority of goods deemed necessary by modern consumers. Our standard of

living is to a great degree determined by prices obtained for our export production and the buying power of our export earnings in relation to imported necessities. Not enough people think about the importance of international trade to our standard of living.

Seventeen congressmen of the Independence Party (SJ) recently introduced a bill in the Althing proposing the organization of commercial education and employment. The bill proposes "government leadership of cooperation between the Ministry of Education, the Ministry of Commerce, the Foreign Ministry and labor and employers to establish organized training and employment in the areas of domestic and international marketing along with special efforts to gather information on markets. The goal should be to establish within the school system and businesses extensive studies in marketing, market creation, promotion and advertizing techniques as well as contracts."

Three national economic goals are needed for the coming years: 1) Reorganization of the Icelandic economy in order to guarantee the future economic security of a growing nation and increase national and individual earnings. 2) An all out effort in domestic and international marketing in order to guarantee secure and stable sales of Icelandic production. 3) The reduction of inflation, disadvantageous international trade balances and foreign debts, the main forces of decline of the national standard of living.

This bill sponsored by Arni Johnsen and other SJ congressmen is more than timely. The Althing should take pride in passing it without delay during the present session.

Survey of Domestic and Foreign Loans 1985 (million kronur)

	Savings Certific.	Bonds	Pension Funds Sources	Other Domestic	Foreign Loans	Total Loans
I <u>Public Agencies</u>	400	-	-	380	3 295	4 075
Treasury, A Dept.	400	-	-	200	806	1 406
Treasury, B Dept.	-	-	-	180	1 109	1 289
Enterprises partly state-owned	-	-	-	-	1 061	1 061
Municipalities	-	-	-	-	319	319
II <u>Building Funds</u>	-	-	1 045	188	553	1 786
National Housing Auth.	-	-	700	188	553	1 441
Laborers' Building Fund	-	-	345	-	-	345
III <u>Loan Institutions</u>	-	200	180	-	1 562	1 942
Development Fund	-	200	150	-	1 442	1 792
Ind. Develop. Fund	-	-	-	-	50	50
Agricultural Foundation	-	-	30	-	-	30
Export Loan Fund	-	-	-	-	70	70
IV <u>Businesses--private</u>	-	-	-	-	1 500	1 500
Not broken down	-	-	-	-	1 500	1 500
Total Finance Needs (I-IV)	400	200	1 225	568	6 910	9 303

Source: Finance and Statistics Inst.

Inflation-Indexed Wages Permitted

Reykjavik MORGUNBLADID in Icelandic 3 Apr 85 p 60

[Article: "Price Index Adjustment Abolished"]

[Text] Negotiating Parties Disagree on Its Merits

The government and the parliamentary groups of the government parties have decided to abolish the ban on the adjustment of the wage-price index. In addition, the government has decided to repeal the provisions of Olafslog [provisional laws introduced when Olafur Johannesson, Progressive Party, was prime minister] that would automatically start the indexation again on 1 June. The central committee of the Icelandic Federation of Labor [ASI] has discussed this decision reached by the parliamentary groups and found it to be satisfactory. The Federation of Icelandic Employers [VSI], however, feels that this will not change anything in the up-coming wage negotiations.

"From our side, it was a definite prerequisite for any relations with the government authorities that there would be no restrictions on negotiating for

the buying power guarantee that the parties would agree on, as came forth at a meeting held with the government three weeks ago. The ASI central committee has discussed the government response and we feel that the decision to abandon any plans to extend the ban on the adjustment of the price index is an important step," said ASI President Asmundur Stefansson in a conversation with MBL last year.

VSI President Pall Sigurjonsson said, however: "Our stand on price indexation is totally unchanged. We are against any kind of indexation in wage agreements and we will not negotiate any indexations. We have conveyed this to our negotiating parties."

9583

CSO: 3626/29

24 May 1985

ECONOMIC

NETHERLANDS

LABOR PARTY CONGRESS TAKES STAND ON ECONOMIC ISSUES

Rotterdam NRC HANDELSBLAD in Dutch 15 Apr 85 p 7

[Article by correspondent Mark Kranenburg: "PvdA [Labor Party] Buries Old Forms and Ideas"]

[Text] The PvdA Congress sang last Saturday "let your old forms and ideas die" in full voice. The stanza out of the International was more fitting than ever. For with a few exceptions, the PvdA rank and file, after 3 days has carried old ideas to the grave, by lining up for the most part behind the party executive committee's report "social-economic dilemmas."

Especially after the condemning reactions of the CDA [Christian Democratic Appeal] and the VVD [People's Party for Freedom and Democracy] all attention seems to be directed at the congress decision about the protection of the minimums. A not unimportant declaration of the Congress, but the social-economic dilemmas report which outlines the shape of the economic sector in the coming election platform and consequently the desirable economic policy until 1990, contains more ideas than only about the minimums. The tenor of the report is nevertheless that not everything can be expected from the government anymore. There are limits to what still can be regulated from The Hague. And that idea, what might rightfully be called a dilemma for socialists, was adopted by the congress.

This is most clearly expressed in the declaration of how the process of reducing working hours must be furthered. The congress chose the "free variation."

Agreements about this will be left, to the extent possible, to those most involved, in short: employers and trade unions. The government will have to limit itself to "marginal conditions" to facilitate such agreements. Only in the most extreme case--when the discussion between CAO [Collective Labor Agreement]

parties fails completely--would the government have to "decide" whether legal regulations can be introduced with minimum conditions.

The congress was also able to select a completely developed scenario such as was presented the previous summer by the PvdA members Van Kamenade, Woltgens and Ritzen. On the basis of a social covenant characterized by an average working hour reduction of 3 percent per year and the wage adjustment connected with it, the 25 hour working week would be reached in 10 years. But at the same time, it would have meant that the negotiation freedom for CAO parties would be reduced to a minimum in those 10 years and the congress did not want to go so far.

Extreme

Even more extreme was the proposal to regulate the form, rate and financing of reduction of working hours in a so-called estimate law. However the congress did not appear to have any sympathy for this solution especially advocated by the Red Women ("women do not sit at the negotiation table"). The delegates could agree with the position of the party executive committee that in the case of reduction of working hours the most effective strategy must be used, consequently: Freedom for the CAO parties and a restrained government. Hence also the careful formulation of the most desirable working hours when full employment is sought: "To judge from appearances a working week of 32 hours in 1990 and finally a work week of 25 hours."

The same discussion included the role which the government must play in a policy aiming at economic revival and stimulation. There was a proposal from several sections to create a central development plan that would lead to strict regulations for the government. Moreover this plan must have a significant nature for business. "We must not be dreamers and think that the government can impose everything strictly," according to party executive committee chairman Poppe who, as it later turned out, successfully advised the congress forcefully against the acceptance of this proposal. The delegates agreed by a large majority with the restrained text of the party executive committee about a multiyear plan which must create conditions for the revival and development of the market sector. And then to think that it was not so long ago that the PvdA was discussing in an election platform "concluding planning agreements with business, which gave direction to the purpose, time, place and manner of investing."

The same platform stated also that a maximum income must be five times the net minimum wage. Such a passage is no longer

included now. Poppe: "Do not saddle us with a maximum income. We will say with that much more than we can realize."

Only in the field of income formation did the Congress decide against the sense of the party executive committee in that the government still has here a substantial responsibility of its own. The sentence: "The PvdA does not choose a guided income policy" was replaced by "the PvdA does not reject a guided income policy under all circumstances." But with that the congress, in the light of further declarations about protection of purchasing power for the minimums, was consequently very consistent.

Wage Measures

It seems possible to achieve protection of the minimums under all circumstances, which the congress decided on last Saturday by a large majority, in no other way than by wage measures. Frits de Kam who works at the Social and Cultural Planning Bureau has already worked it out. With a zero growth of the economy it means quickly, starting from the fact that the number of income recipients in the Netherlands increases yearly by 1 percent, a loss of purchasing power for the average man or woman of one and one-half to 2 percent. The trade union movement will not accept that willingly. Trade union leaders made no secret about that in the corridors of the PvdA Congress.

On the occasion of the statement of party chairman Van den Berg that the protection of the minimums demands sacrifices from the middle groups, both civil servant leader, Van de Scheur as well as FNV /Netherlands Trade Unions Federation/ leader, Stekelenburg said they regarded this as an impossible task. However, the PvdA still has time until February of next year to solve this dilemma, when the election platform is drawn up. The congress has only determined the direction now, the final choices must still follow.

8490
CSO: 3614/85

ECONOMIC

PORTUGAL

TRADE BALANCE DEFICIT DECREASES IN JANUARY

Lisbon EXPRESSO in Portuguese 5 Apr 85 p 16

[Text] The National Statistics Institute (INE) has disclosed that the rate of coverage of imports by exports in January of this year accrued the best results of the past 10 years (72.1 percent), owing to a significant decline in the Portuguese trade balance deficit with foreign countries.

The deficit of 26 million contos that has been tallied represents a 28.9 percent decline with respect to the same period in 1984, to which the slight increase of 2.8 percent in imports and the 24.2 percent rise in Portuguese exports contributed. In January of this year, Portuguese imports and exports totaled 93.3 and 67.2 million contos, respectively.

The reduction in Portugal's negative trade balance with other countries was more significant in dollars: 44 percent. When reckoned in U.S. currency, the Portuguese purchases abroad registered a 19.3 percent decline; as for exports, they dropped 2.4 percent.

Fundamentally contributing to the January commercial deficit were imports in the categories of oil (21.5 million contos), grain (5.6 million contos) and fruits and oil seeds (5.6 million contos), products on which Portugal is heavily dependent and which lend the negative balance of trade with other countries its structural nature.

The imports of these products were 6.7 million contos in excess of the total amount of the January deficit.

During the same month, the deficit with the OECD countries stemming from 63.5 million contos of imports (68.1 percent of the total Portuguese purchases abroad) and from 56.3 million contos of exports (83.8 percent of the sales abroad) dropped nearly 10.2 million contos from the figure in the same period of 1984; which was essentially due to the positive balance of 10.9 million contos recorded in Portugal's commercial exchanges with the EEC.

The rate of coverage with the OECD countries thus rose from 71.1 percent in January 1984 to 88.7 percent during the same month this year. With the EEC the improvement was even more significant, changing from a deficit relationship

of 79.2 percent to a surplus situation of 108.7 percent.

The highest negative balances were those associated with the U.S. (7.8 million contos), Iraq (7.1 million) and Mexico (4.6 million), totaling 75 percent of the overall deficit; and the balances most favorable to our country were found with Iran (2.6 million) and France (2.3 million).

The following countries, in descending order, appear with figures exceeding 5 percent of the total value of Portuguese foreign trade:

In importing: U.S., United Kingdom, FRG, Iraq, France and Spain; in other words, 55 percent of the total Portuguese purchases abroad.

In exporting: FRG, United Kingdom, France, U.S. and Netherlands; totaling 56.2 percent of our sales abroad.

2909

CSO: 3542/164

ECONOMIC

PORTUGAL

CAPITAL, CONSUMER GOODS IMPORTS REGISTER DECREASE

Lisbon EXPRESSO in Portuguese 5 Apr 85 p 17

[Text] Imports of capital goods (machinery and equipment) made by Portuguese business firms from abroad declined over 29 percent in 1984, when compared with the previous year, standing at \$810 million (nearly 118.4 million contos), according to data collected by EXPRESSO.

This change confirms the notion that the reduction in total imports from abroad, which declined 5.5 percent in dollars, compared with 1983, was achieved largely at the cost of the modernization of the Portuguese productive system.

Last week, the FRG newspaper FRANKFURTER ALLGEMEINE underscored this fact precisely, recalling that the improvement in Portuguese commercial accounts with the countries of the European Economic Community (in which it moved from a deficit of 60 million contos 2 years ago to a positive balance of 28.8 million at the end of 1984) stemmed essentially from the decline in purchases of machinery and equipment from the EEC, Portugal's leading supplier of this type of goods.

This view is also confirmed by the fact that the commercial deficits with the United States (86.8 million contos) and with the OPEC countries (195.1 million contos), representing in a preliminary estimate the country's dependence for food (grains) and energy (oil), although reduced in absolute terms, when compared with 1983 have remained at extremely high levels, unlike what has occurred in the exchanges with the EEC.

The data collected also show (see table) that consumer goods imports dropped 13.8 percent during the period under analysis, with a 50 percent decline in unspecified goods.

Furthermore, although the results attained by the Portuguese trade balance, when viewed merely based on the dispassionate logic of numbers, show a clearly favorable progress (a 5.5 percent cut in imports, a 12.7 percent rise in exports and a 28.4 percent reduction in the balance), they are nevertheless far removed from what Felipe Gonzalez' government in neighboring Spain achieved during the same period: a 20 percent increment in exports and only 1 percent in imports, and a 44.8 percent reduction in the trade deficit in 1984.

Another point to be noted is that of the growing percentage of the imported component in the composition of Portuguese exports, which is especially evident in the traditional export products, such as textiles: for each 1,000 contos exported, 400 had to be imported.

This fact means that the persistence of the present pattern of specialization in Portuguese exports, instead of leading to a reinforcement of the Portuguese productive structure, on the contrary, contributed to a worsening of the country's dependence on foreign nations.

Imports of Equipment

	1982	1983	Change 1982/83	1984 *	Change 1983/84
	10 ⁶ US\$	10 ⁶ US\$	%	10 ⁶ US\$	%
Total	9573	8240	-13.92	7789	-5.47
Capital Goods	1532	1145	-25.26	810	-29.26
Intermediate Goods**	7027	6246	-11.11	6255	0.14
Consumer Goods***	1005	832	-17.21	717	-13.82
Unspecified Goods	10	16	60.00	8	-50.00

* Provisional data

** Includes carburetants for engines

*** Includes automobiles for transportation

2909

CSO: 3542/164

ECONOMIC

PORTUGAL

OPPOSITION TO EEC MEMBERSHIP COMING FROM RIGHT

Soares Attacked

Lisbon O DIABO in Portuguese 9 Apr 85 pp 1, 5

[Article by Vera Lagoa: "The EEC Has Entered Portugal"]

[Text] The EEC has entered Portugal. The comment is not mine, but from someone whom I respect and admire. It is not mine, but I am borrowing it, and I shall make it a starting point for a necessary meditation: "It was not we who entered the EEC; it was the EEC which entered us."

I ask my readers: Do you think that the EEC is a charitable institution? Do you think that the EEC would accept us if it did not gain thereby? Have you noticed the mad dash of Soares and his subordinates to have the EEC penetrate us? Have you considered the subjugation (and humiliation) that we shall experience with respect to Spain in particular? Or are you unaware of the consequences? Why has Soares concealed this? Why was everything negotiated behind the backs of the Portuguese? Why have the press, radio and television, under the Socialist rule, come out appearing simultaneously aligned, faced with the total ignorance of the Portuguese regarding their future?

Could Mario Soares (and his followers) have done a great service to someone?

To their party? It seems obvious.

To the Socialist International, of which Soares is vice president? I have no doubt.

To himself, to his political career, to his unbridled ambition, to his intentions (not yet explicitly admitted, and one can understand why) of being a candidate for the presidency of the republic? This above all.

Or could it have been a service to Portugal? Categorically, no! If that were the case, I repeat, how does one explain the silence that has surrounded (and enveloped) the negotiations? How does one interpret the deliberate exclusion of the people and the ignorant state in which they have been (and still are) kept?

A few days ago, with shame, I witnessed a street poll aired on TV. It was enlightening, I hope, for those who saw it. They should repeat it, and they

should ask Dr Mario Soares, who so greatly desired the EEC to enter us, to explain then and there to the Portuguese the facts concerning the imbroglio, if he knows and could do so; and to expose himself overtly to the legitimate curiosity of all of us who, I am sure, by no means agree with the prefabricated and convenient questions whereby two or three trained, deferential interviewers usually "liven" the new family early evening gatherings in this by now old State of April.

I think that this request should be made of them by those who, although deluded by the "charm" and promises of Soares (and there are such individuals too), are capable of putting the national interest above everything.

In this labyrinth of deception, I would not want anyone left with doubts as to what is to be done here: Whether to patriotically hail a victory for Portugal; or whether (on the contrary) to applaud the success of a star of the Socialist International and the native PS [Socialist Party], a candidate for the presidency of the republic and great owner of a scandalous employment agency in the guise of a political party.

There has become an urgent need to find out about this.

Don't you think so?

Other Support Cited

Lisbon O DIABO in Portuguese 9 Apr 85 p 20

[Text] Have you noticed that certain news media confine themselves to the Communist camp or to those under Marxist influence when they collect statements from opponents to Portugal's integration into the EEC? We don't know what reasons prompt those professional disinformers to conceal the fact that, in the sector opposed to the Marxists (as in our own case and as has always been attested in the pages of O DIABO) there is no lack of opponents to a process the consequences of which to national independence could become quite harmful. Whatever those reasons may be, what has been proven is that the leftist "intelligentsia" is still convinced that it is lord and master of public opinion. But in this respect, as in other matters, it is definitely mistaken.

2909

CSO: 3542/164

ECONOMIC

TURKEY

ERDEM FACES CRITICS OF AGRICULTURAL IMPORTS

Istanbul CUMHURIYET in Turkish 15 Mar 85 p 9

[Text] A verbal exchange took place at the 'chairmen's meeting' of the Turkish Association of Chambers of Agriculture between Kaya Erdem, deputy prime minister and minister of state, and the association members.

There were demonstrations of protest when Erdem pointed out that "opposing agricultural imports would not increase production" and that "the key to development in agriculture is increased productivity". The Union representatives were heard arguing in loud voices: "How are we to increase productivity when a kilogram of farm chemicals costs no less than TL 15 thousand?" To which Erdem responded: "First we should learn how to listen. Productivity is increased by irrigation."

Erdem noted that the government was feeling the pain of not being able to transmit the necessary information to local farmers' associations. When the audience responded by shouts of "we know, we know" Erdem became even more angry, and raising his voice, made the following remark: "If you know, then why do you keep silent when you are told that farmers' credits have risen by 38 percent whereas the actual figure happens to be 89 percent?" Earlier, Osman Ozbek, chairman of the Turkish Association of Chambers of Agriculture, had said that "agricultural credits were 38 percent higher in 1985 compared to 1984."

Emphasizing the need for making the right diagnoses, Erdem said that "agriculture cannot be developed by the wrong diagnoses. We should be importing as well as exporting. The producer will benefit only in this way."

Elaborating upon import and export figures Erdem denied the claims that "supplementary import payments in 1984 mostly consisted of consumer goods", stating that "only \$15 million were spent for the importation of consumer goods, not \$232 million." As Erdem was commenting on the amount of foreign currency allocated to luxury consumption items, objections were heard across the hall that "these were problems not concerning the farmer."

In his opening speech, Ozbek drew attention to "the lowering of the targets set for agricultural development." Ozbek said:

While the agricultural growth rate was 4.2 percent during the previous plan period, the Fifth five-year plan has envisioned a growth rate of 3 percent for the year 1985. This means that Turkey might soon join the ranks of food-importing countries. As to agricultural investment 11 percent has been set as the target half of which goes to irrigation and dams, and the other half is used in other infrastructural projects. One cannot expect to give a shot in the arm to agriculture with investment figures as low as this.

12466

CSO: 3554/117

ECONOMIC

TURKEY

YAZAR ON THE DIFFICULTY OF BEING MIDDLE CLASS

Istanbul CUMHURIYET in Turkish 15 Mar 85 p 1

[Text] Chairman of the Confederation of Chambers Mehmet Yazar made the point that the definition of 'middle class' ("arch pillar") should be geared to economic rather than social criteria in terms of international standards. According to Yazar, middle class status should be accorded in terms of per capita income which is estimated to be around \$1000 in Turkey. Since middle class status is to be accorded to the 'family' unit, Yazar thinks it proper to take a family with two children as the basic unit in this context. Yazar figures out the 'middle class standard' as follows:

According to national income statistics the average annual income for a family of four is \$4000. Multiplying this with 500 which is the going TL rate for the dollar, the middle-class breadwinner should be earning a yearly income of TL 2 million. This means a monthly income of TL 160,000.

A monthly income of TL 160,000 is realized by very few people in present-day Turkey. Yazar estimates that only 20 percent of the population may have attained that standard, whereas the remaining majority of 80 percent is 'getting by' with incomes of less than TL 160,000. Yazar also points out that the great majority of people are trying to survive by incomes of TL 60-70,000 or even less.

Yazar notes that this lopsided income distribution is getting worse due to inflation indicating 'impoverishment' of the masses. In this sense, inflation becomes a 'social' rather than economic phenomenon. Yazar includes the "shopkeeper worker, public official, and farmer" in the category known as 'middle class', but different 'income groups' should be differentiated within this broad definition. Yazar remarks: "Otherwise we would have to view big landowners as middle class as well."

12466
CSO: 3554/117

ECONOMIC

TURKEY

NOT A DAY PASSES WITHOUT PRICE RISES

Istanbul CUMHURİYET in Turkish 20 Mar 85 p 9

[Text] Price rises are continuing in incremental fashion in the main consumer items. From olive oil to detergent, producers are holding production costs responsible for the price rises. Meanwhile some firms started adjusting their prices to the constantly changing raw material prices.

In edible oils the price of Salat rose by TL 10 per kilo. Officials attribute the recent price rises in non-liquid oils to the large increases in margarine prices which have upset the stability of the market. Nevertheless the 2 percent increase, from TL 430 to TL 440, should not be considered large, note the officials. The price of crystal olive oil has risen to TL 635 per litre to TL 560 three months ago. It is learned that the producer no longer specifies the price when taking orders. In filling out the forms the following is written in the blank usually reserved for the price of olive oil: "Due to problems in getting supplies of crude olive oil, and the constant price changes, orders will be despatched at prices and conditions prevalent on the day of consignment". Thus olive oil prices are left to float, like exchange rates.

As olive oil prices are rising, prices in the increasingly scarce olive market are also going up steeply. Marmara Birlik increased prices by TL 60 per kilo effective this week, while the prices of Durmaz and Toral olives were increased twice in two weeks (TL 50 each price hike), pushing the price from TL 500 to TL 600. Meanwhile, the price of Marmara Birlik 'special' olives rose from TL 530 to TL 600, and of 'extra' olives from TL 490 to TL 550. Alongside the olive, its usual table companion cheese is poised to join the rising trend in prices. Prices of white cheeses (cow milk) which were in the TL 8500-9000 range until quite recently, went up to TL 11,000. Wholesalers attribute the magnitude of these price rises in such a short period of time to an effort to increase the price of sheep cheese (the May crop).

As to detergents, in the wake of Omo's announcement of its new prices two weeks ago Alo officials also promised to announce their new prices shortly. The price of a 320 gram pack of Omo (regular) detergent has risen from TL 245 to TL 265.

12466
CSO: 3554/117

ECONOMIC

TURKEY

GOVERNMENT AUTHORITY OVER BANKS INCREASED

Istanbul TERCUMAN in Turkish 5 Apr 85 p 5

[Text] Ankara (TERCUMAN) The resolution with the force of law introducing changes in the banking law was passed after undergoing important revisions in the TBMM [Turkish Grand National Assembly] Planning and Budget Commission.

According to the changes made in the resolution, which will be taken up by the TBMM general assembly next week, the Council of Ministers will be able to make various exceptions regarding banks that will be established in free zones or bank branches that will be opened. Moreover, in this context, the Council of Ministers will be able to adopt measures related to "offshore" banking activities.

At the same time, from a financial and administrative standpoint, the Turkish People's Bank will control the Tradesmen's Guarantee Cooperatives, and it will be able to ask for changes in the board of directors in cases where cooperatives have lost at least half their capital, and for necessary measures and liquidation.

The Council of Ministers

With the changes made in the resolution, the authority of the Council of Ministers was increased also. Accordingly, should the Council of Ministers decide that a bank whose financial structure cannot be strengthened must be amalgamated, with all its assets and liabilities, with one or more banks and its debts paid by the Treasury; the amounts due to the bank will be viewed as owed to the state.

The Council of Ministers will determine the maximum interest rate applicable to time or callable deposits withdrawn before maturation. The Council of Ministers will also be empowered to determine maximum and minimum interest rates on deposits, all other incentives offered to depositors, and to decide whether to free deposit interests totally or partially. The Council of Ministers will be able to exert their authority through the Central Bank.

12278
CSO: 3554/122

ECONOMIC

TURKEY

BRIEFS

DISBANK PROFITS--The usual meeting of the board of the Turkish Foreign Trade Bank, Disbank has taken place. According to the activities report submitted to the Board of Directors, Disbank made a 7.5 billion Turkish lira profit last year. The bank's profit for the previous year was in the range of 2.6 billion Turkish liras. Thus, in one year, the bank increased its profit at a 190% rate. The bank's foreign exchange profits for last year are of the order of 2.3 billion Turkish liras. It was disclosed that the bank had increased its trade investments last year from 18 billion to 27.7 billion Turkish liras and its total deposits from 13.5 to 25.2 billion Turkish liras. There was thus an increase of 52% in investments and of 86% in deposits. Furthermore, Disbank increased its foreign currency receipts by 56%, thus attaining a 2.31% share of Turkey's total exports in that sector. Bank officials declared that following the computing of the balance-sheet and the collection of the last call, capital and reserves would total 8 billion Turkish liras. /Text/ /Istanbul CUMHURIYET in Turkish 24 Mar 85 p 97

FAISAL AIM GULF EXPORTS INCREASE--Of the two organizations which went almost simultaneously into the business of banking without interest in our country, the assistant director-general of the Faisal Finance Association, Dr Nazif Gurdogan, said: "Our chief aim is to increase Turkey's exports to the Gulf nations." Dr Nazif Gurdogan, whose views we sought at the friendly gathering for the press organized by the Faisal Finance Association, said: "The potential in Middle East nations is much higher than is generally known. We can't say that Turkey is benefitting sufficiently from that potential. We believe that, through Faisal Finance Associations in various countries of the Middle East, we can develop fast our trade connections." The Faisal Finance Association will collect funds on the one hand from deposits without interest, and on the other hand from profit and loss shares. The profit and loss share funds will mature in three months, six months, one year and in over one-year periods, and will be collected in four different pools, and each section will be dealing in a different kind of business. In the first stage Faisal Finance plans to finance more particularly Turkey's exports to and imports from countries of the Middle East. In such ventures which can be classified as short term, the important thing is project promotion. The project submitted by a firm that wishes to obtain credits from Faisal Finance is subjected first to a close scrutiny. If the deal is thought to be profitable, credits are granted. Credits, contrary to customary banking procedures, are based on products rather than on funds. That is, instead of directly handing over funds to the exporter, Faisal Finance takes

all the necessary steps and profits are shared in the end. The assistant director of the Association's board of directors, Salih Ozcan, the director general, Necdet Durakbasa, Assistant Directors General Gunduz Sevilgen, Dr Nazif Gurdogan and Yunus Nacar were also present at the friendly gathering with the press organized by the Faisal Finance Association. /Text/ /Istanbul CUMHURIYET in Turkish 6 Apr 85 p 9/

12278

CSO: 3554/122

OCEAN/POLAR ISSUES

SWEDEN

GOVERNMENT EAGER TO OBTAIN BALTIC AGREEMENT WITH USSR

Helsinki HELSINGIN SANOMAT in Finnish 5 Apr 85 p 25

[Article by Vesa Santavuori]

[Text] Stockholm—On Thursday DAGENS NYHETER wrote that the Swedish Government is striving to obtain an international agreement on the Baltic fishing dispute because it does not seem as though it will get results between the two countries with the Soviet Union within a "reasonable amount of time."

"We have really engaged in diplomatic contacts in connection with this affair," the Swedish Foreign Ministry assured HELSINGIN SANOMAT. Specifically, Sweden is trying to resolve the problem of the so-called "white zone" in order to prevent illegal salmon fishing off the coast of Gotland.

Contacts have been entered into with the Baltic coast nations as well as with the other countries that fish in the area. Sweden has also appealed on the basis of the Gdansk agreement, which at one time governed fishing in the Baltic with freedom of the seas prevailing. The importance of the Gdansk agreement has diminished along with participation in fishing zones, but Sweden is now trying to revive it.

The problem is also of particularly great importance from the standpoint of Sweden's foreign policy in addition to that of its fishing economy.

Territorial Limit Negotiations Are a Good Election Weapon

The issue is an inflammable one since this is an election year. Just before the 1982 elections the Right accused the centrist government of planning to sell out Sweden's interests to the Soviet Union in negotiations on territorial water limits. Even a slight error now on the part of the Social Democratic government in the negotiations on territorial water limits would provide the Moderate Coalition Party with an opportunity to conspicuously defeat Prime Minister Olof Palme with a foreign policy weapon.

In terms of international policy, on the other hand, Sweden has to try to find a formula for resolving the issue that will not add to tensions in the Baltic or in other areas under dispute, among them the Barents Sea. Opposing one another there are primarily Norway and the Soviet Union, but to some extent also all the forty-odd nations that signed the Spitsbergen Treaty.

The Baltic "white zone" came into being when Sweden on 1 January 1978 decided to extend the line of its fishing water limits in accordance with the dividing line principle with respect to its neighboring countries. (Sweden extended its territorial water limits to 12 sea miles on 1 July 1979.)

Overfishing Now Legal

As Sweden sees it, Gotland is to be considered to be part of Sweden in drawing the dividing line because Gotland is a permanent settlement and because it constitutes its own province.

The Soviet position, on the other hand, has been that the dividing line is to be determined in terms of the Swedish mainland. If they were to do it this way, the limits of the fishing zone would run very close to the east coast of Gotland.

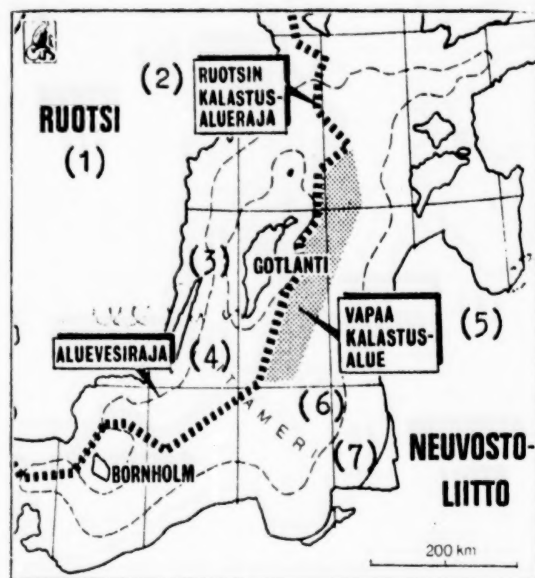
The white zone, extending over 13,500 square kilometers, in which neither Sweden nor the Soviet Union have "exclusive rights" as long as an international agreement has not been reached, has constituted a disputed area. While this unregulated situation continues to exist, all nations have the right to fish in the area. The result is that too much fish, at least too much salmon, has been fished in the area.

Fishermen Press for Agreement

Swedish fishermen have demanded that the government conclude an agreement with the Soviet Union that would transform the white zone into a "gray zone." Such an agreement would mean that only the Soviet Union and Sweden would have fishing rights in the area because they had gotten to the point of outlining an agreement on the division of their territorial waters.

In the 1970's the Soviet Union and Norway agreed on the establishment of a "gray zone" in the Barents Sea. Sweden, however, is steeling itself against the idea of a gray zone in the Baltic among other reasons because surveillance over the area would permit Soviet patrol boats to legally get much too close to Gotland.

From the standpoint of its neutrality and nonalignment status too, Sweden probably feels apprehensive about a settlement that would to a certain extent include a joint surveillance arrangement with the world's second superpower.



Key:

1. Sweden.
2. Swedish fishing zone limit.
3. Gotland.
4. Territorial water limit.
5. Free fishing zone.
6. Baltic Sea.
7. Soviet Union.

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